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## FINANCIAL TIMES

Europe's Business Newspaper

TUESDAY OCTOBER 18 1994

First step in partial sell-off Car group valued at up to FFr42.5bn

## France launches Renault shares

The French government will today launch the partial privatisation of Renault, the motor group that is one of the most attractive assets in the country's public sector and a former bastion of union power. Mr Edmond Alphandéry, econ-

omy minister, gave a guideline price of between FFr163 and FFr178 per share for institutional investors, valuing the company at between FFr39bn (\$7.4bn) and FFr42.5bn. The price range, which officials described as nonbinding, is below many market estimates which have been between FFr42bn and FFr45bn.

Mr Alphandéry described the partial privatisation, which is expected within the next month, as an important step for the motor group and for French

financial markets.
"It will give Renault the resources for development and place it in pole position for competition with its rivals. It also puts one of France's most important industrial groups on the bourse," he said.

The issue is being aimed mainly at individual investors. who will be able to make nonbinding applications for shares from today. Mr Alphandéry said the government planned to sell about 60 per cent of the shares to

individuals, but the proportion could be increased to two-thirds if demand was strong.

Previous issues in the French government's privatisation proamme have seen shares clawed hack from institutional investors following strong subscriptions by individuals. Industry observers in Paris predicted that Renault would also see keen interest.

"It is a household name and seems likely to be fairly priced." said a motor industry analyst at a French merchant bank. He added that Renault, which achieved profits of FF1.07bn last year and forecasts a strong increase in 1994, was one of the few motor groups to remain in

profit during the recession in the industry in 1992 and 1993.

Mr Alphandery stressed that the company would remain in French hands and that the government, which holds 80 per cent of Renault's shares, would retain a 51 per cent stake. "Privatisation is not on the agenda. There are no plans for a second tranche to be floated on the bourse."

The proceeds of the share sale are expected to be used to finance a capital increase at Air France, the loss-making stateowned airline.

The government's decision to limit the flotation to a partial privatisation reflects the political

munist-led union, the Confédéra-tion Générale du Travail, has sought to block the sale of Renault shares, but calls for indus-trial action at the motor group have met with little succes As part of the operation, Volvo

of Sweden, Renault's former partner in an aborted merger, will sell between 8 per cent and 12 per cent of the French company's shares. Volvo holds 20 per cent of Renault's equity, which it has kept since the collapse of the merger plans last year.

The French economy minister

said that foreign shareholders would be welcome and that international investors had expressed

## Kohl in talks to reform German coalition

Chancellor Helmut Kohl held preliminary talks yesterday to reform Germany's conservative-liberal coalition after its parliamentary majority was drastically reduced - from 134 to just 10 seats - in Sunday's election.

He rejected any suggestion that the majority might be too small to govern the country, and ruled out a grand coalition with the opposition Social Democratic party (SPD). Mr Rudolf Scharping, the SPD leader, also rejected calls from his own party for such a move, while predicting that the present coalition would prove

The coalition of Mr Kohl's Christian Democratic Union (CDU), its Bavaria-based sister party, the Christian Social Union (CSU) and the liberal Free Democratic party (FDP) was "perfectly capable of government", the chancellor said. "The German voters have shown confidence in us once again."

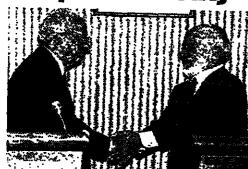
A Kohl victory had been heavily discounted by the financial markets, which reduced its impact yesterday. The D-Mark's performance was mixed, with the main casualty on currency mar-kets being the dollar, which sunk to a two-year low. It was trading last night at DM1.4955 in New York, below the previous 1994 low of DML5160.

The Frankfurt stock exchange gained nearly 2 per cent, measured by the DAX index of 30 leading shares, although it later eased to close 0.7 per cent down at 2.091 points.

The final election result for the parliament, gave the CDU 244 seats in a 672-seat assembly, with 50 seats for the CSU, and 47 for the FDP. This gave a total of 341 seats for the government, against a combined 331 for the opposition parties - the SPD, the Greens, and the Party of Democratic Socialism (PDS), the re-formed

Continued on Page 18 Election reports, Page 2; Battle to hold middle lane, Page 17; Editorial comment, Page 17; Observer, Page 17; Bonds, Page 24; Currencies, Page 36; World stocks, Page 38

## Israel and Jordan agree draft deal for peace treaty



Israeli prime minister Yitzhak Rabin (left) and King Hussein of Jordan (right) announced they had reached a draft peace treaty, paving the way to normal relations between the two countries and breaking down economic barriers in the Middle East. The two leaders settled disputes over their borders and access to the region's water sources to achieve the treaty, which was initialled by Mr Rabin and Mr Abdul-Salam al-Majali, the Jordanian prime minis ter, in Amman, the Jordanian capital. Page 18; Cornerstone for new Middle East, Page 5; Editorial Comment, Page 17; Lex, Page 18

Eurotamnel: The railways of Britain, France and Belgium announced the start of high-speed Channel tunnel rail services, with prices for a return ticket from London to Paris starting at £95 (\$150). Eurotunnel, the Channel tunnel operator, meanwhile, said it expected revenues for 1994 to be only a quarter of the £135m (\$216m) it predicted as recently as May, following delays to the start of rail services. Page 8; Eurotunuel warns of lower revenues, Page

india eases lending controls: India scrapped most controls on bank lending rates in a move to promote cheaper credit, greater liberalisation in financial markets and more competition in the banking industry. Page 18

\$10bn fraud halted: An international police operation led by the UK's metropolitan fraud squad prevented a \$10bn fraud attempt on the Agricul-tural Bank of China, one of China's big four banks.

Brussels extends telecoms probe: The structure of Italy's state-controlled telecoms sector is to come under European Commission scrutiny as part of an antitrust investigation into a proposed venture between italtel. Italy's telecoms equipment manufacturer, and Siemens of Germany. Page 18

Poli called to end Bulgarian crisis: Bulgarian president, Zhelyu Zhelev, ended a sixweek-long cabinet crisis by dissolving parliament and appointing an interim government until early general elections on December 18. Page 3

Unisys: Third quarter earnings at the US computer group dropped sharply as it continued a painful transition from mainframe computers to information services. Net income for the third quarter was \$42.9m compared with \$84.1m in the same period last year. Page 19

Arrest warrant for financier: An arrest warrant was issued for Javier de la Rosa, the Barcelona-based financier who in the 1980s became a symbol of the then booming Spanish economy as he orchestrated investment into the country by the Kuwait Investment Office. Page 3

Honda is investing more than Y10bn (\$100m) in a new car-making plant in Thailand, a move that will double its Thai capacity and may lead to the production of a small, popular car for Asia. Page 6

Finland's EU vote boosts Nordic hopes: Swedish prime minister, Ingvar Carlsson, flew to Oslo for talks with Gro Harlem Brundtland, his Norwegian counterpart, as the two leaders sought to capitalise on Finland's approval of European Union membership. Page 4

Mitsubishi Motors is to begin producing cars in Europe for the first time next year at its joint venture plant in the Netherlands. The company aims to produce up to 100,000 Mitsubishi cars a year by

China-US air traffic accord: China and the US agreed to co-operate in converting the Chinese military-dominated air traffic control system to civilian management under an agreement signed by senior US and Chinese officials. Page 5 Bomb kills Russian reporter: A suitcase bomb

killed investigative reporter Dmitry Kholodov and

destroyed the newsroom of Moskovsky Komsomolets, a popular Moscow newspaper that had cru-

saded against the Russian mafia. STERLING W STOCK MARKET INDICES (+13.50) New York lenchtime: (-7.17) London: (+0.17) LORDON: (+0.98) \$ 1.5074 (1.5925) (-11.0) DM 2.4168 (2.4207) Fit 8.2975 (8.2965) (+8.08) \$FT 2.0133 (2.0121) (-0.54) \$ 157.278 (158.519) \$ 158.519 8.67 xební 3 E US LUNCHTIME RATES I DOLLAR New York functions: DM 1.49795 PFr 5.1445 SFr 1.247 M LONDON MONEY 

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for sale of Kidder to PaineWebber

GE agrees terms

Kidder Peabody, the troubled investment banking subsidiary of General Electric, will be broken up and its most attractive busi-nesses transfered to Wall Street rival PaineWebber.

The deal, agreed late on Sunday and announced yesterday morning, ends GE's troubled eight-year ownership of Kidder Peabody. Rocked by an insider trading scandal and loss-making junk bond holdings in the late 1980s, Kidder has been hit this year by tumbling bond markets and an alleged bond trading fraud which resulted in fictitious profits of \$350m.

The US industrial conglomerate said it would take a charge of around \$500m as a result of the sale, taking the total cost of its ill-fated involvement with Kidder to more than \$1.5bn.

GE paid \$600m for 80 per cent of Kidder in 1986 and subsequently injected another \$800m of capital. By the middle of this year, Kidder had returned a total of \$250m in profits, GE said. Since then, the firm is understood to have lost \$85m. The deal with PaineWebber is

worth a net \$90m to GE. Under the agreement, PaineW-ebber will acquire Kidder's highly regarded retail stockbroking business, which generates around \$500m of revenues a year, and its fund management opera-tion. It will also take over parts of Kidder's investment banking

and trading businesses, though

over the coming weeks.

PaineWebber will receive \$580m in net assets from GE. In return, the securities firm said it would issue \$670m of ordinary, convertible and preferred shares to GE, which if fully converted would give the industrial group a 25 per cent interest.

Mr Jack Welch, GE's chairman who negotiated the original Kidder purchase, said yesterday that the group would retain an inter-est in "a much larger, well-established franchise" in the broking industry.

The deal will further PaineWebber's ambition of becoming a full-service investment bank. combining a retail broking force with underwriting securities issues, advising on takeovers and trading, said Mr Donald Marron, chairman.

However, rivals pointed out that the acquisition of Kidder's businesses would do little to strengthen PaineWebber's underwriting and advisory operations. Besides Kidder's specialised mortgage-backed bonds business, which may not be transfered to PaineWebber, neither firm has a substantial presence in these

GR will remain fiable for any outstanding lawsuits against Kidder, including any litigation connected with the alleged fictitious profits scheme. It will also pay redundancy costs for staff not taken on by PaineWebber.

## Queen arrives in Russia



Queen Elizabeth, the first reigning British monarch to visit Russia, inspects a guard of honour on her arrival in Moscow yesterday, She was greeted at Vnukovo 11 Airport by Oleg Soskovets, the first deputy prime minister, as Viktor Chernomyrdin, the prime minister, is on

boliday. Later, the Queen and her husoand, Prince Philip, received a formal red carpet welcome from President Boris Yeltsin at St George's Hall in the Kremlin.

toric four-day visit was marred

by furore over the marital problems of her son and heir to the throne, Prince Charles, the Prince of Wales. John Major, the UK prime minister, dismissed as "pretty far from the mark" reports that he was to advise the Queen that the prince and the Princess of Wales

However, the start of the his-

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should divorce as soon possible.

Close aides of the prime minister

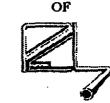
made clear that he continued to

believe the monarchy was the

cornerstone of the British consti-

Joe Rogaly, Page 16; Observer,

tution and must remain so



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## Samsung to invest \$723m in new UK manufacturing plant

the UK by foreign companies. Last month NEC, the Japanese

electronics giant, said it intended to spend £530m to build a semi-

conductor manufacturing plant

at Livingston, near Edinburgh in

The UK government offered Samsung £58m in regional grants

Scotland.

By John Burton in Secut, Christine Tighe in Cleveland and Alan Cane in London

Samsung of South Korea, the world's 14th largest industrial group, is to invest £450m (\$723m) to build a manufacturing plant at Wynyard, Cleveland in the north east of England.

The factory, which will produce consumer goods ranging from microwave ovens to computer monitors for the European market, will eventually create 3,000 new jobs and provide a considerable psychological boost for a region where high unemployment seems endemic.

The Korean company also plans to move its European head-quarters from Frankfurt to London as part of the deal. The investment was unveiled yesterday by Mr Michael Heseltine, secretary of state for trade and industry, during a visit to Seoul, who said that Samsung was attracted to the UK because of "competitive wage rates without the social charter". Samsung's plan is the latest in

a series of large investments in

and loans to secure the project. Together with indirect aid the Samsung project biggest

support is equivalent to 20 per cent of Samsung's investment. Samsung's decision follows stiff competition from other European countries. The Cleve-land investment dwarfs other Korean investments in the Euro-

pean Union (EU). Mr Chan Bea, managing director of Samsung's UK operations, said the decision had been influenced by the proximity of Cleve-land to Scotland's "Silicon Glen" where a large number of computer manufacturers, potential customers for Samsung's elec-

sung's globalisation strategy and a measure against possible anti-dumping measures by the EU. Samsung intends initially to

manufacture 1.3m microwave ovens and 1m computer monitors annually at the Cleveland site. It will add production facilities for personal computers, facsimile machines, colour display tubes and semiconductors. The plant should be completed by 1999 when it should be generating \$2bn in turnover, about half the group's total European

Samsung manufactures a broad range of products from semiconductors and personal computers to ships, petrochemicals and medical equipment. Samsung Electronics was established in the UK in 1969. It

makes 700,000 televisions a year in Teeside, and earlier this year agreed to invest £11m over three

years in the Teeside plant. The UK accounts for 47 per cent of all Korean manufacturing in the EU with 10 Korean firms operating in the

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World Trade News ....

LONDON - PARIS - FRANKFURT - NEW YORK - TOKYO



Scharping was sitting relatively pretty as the dust settled yesterday on one of Germany's closest election results in years. And he seemed contight. Looking

ELECTIONS slightly more relaxed than during pre-election encounters with the press, the leader of the Social Democratic party (SPD) said he would give the government no quarter over the next four years. "Nothing will get done without the Social Democrats," he said.

True, Mr Scharping has not managed to unseat Chancellor Helmut Kohl and many party members, exasperated by 12 years of Mr Kohl, were obviously disappointed.

He had also not fought the most inspiring election campaign, allowing a lead of several percentage points in the spring to be turned into a 5.1 point bonus for Mr Kohl's Christian Democratic Union and its Bavarian sister party, the Christian Social Union.

He did, however, manage to improve on the party's dismal

Leaders of the Party of

Democratic Socialism, succes-

sor to east Germany's former

Communist party, had much to

smile about yesterday. They

had won four constituencies in

east Berlin, gained 4.4 per cent

of the national vote, and will

have 30 deputies in lower

house of parliament, the Bund-

"Against all the odds, includ-

ing the anti-PDS propaganda in

the media, we have proved we

are a genuine left-wing party for the east Germans," said Mr



Rudolf Scharping: pledged to give Kohl government no quarter. 'Nothing will get done without the Social Democrats'

Gregor Gysi, its charismatic Mittelstand [small and medi-

Dictation in French. Letter

a challenge from Mr Gerhard

Schröder, the ambitious state

premier of Lower Saxony,

whose differences with Mr

Scharning had several times

caused confusion in SPD

Mr Schröder will have to play

second fiddle. Mr Scharping

denied any prospects of a

grand coalition and seemed

Kohl's new and weaker coali-

tion and wait his turn.

content yesterday to sit out Mr

That could happen in two

ways. The Free Democratic

um-sized companies]. They require capital and financial

banker who was also elected, wants a new housing policy for

the east Germans. But Mr Gysi

admitted it was too early to

say what impact the PDS

would have on the Bundestag.

One thing seems certain, however. The PDS will be

working closely with the

Greens and the Social Demo-

crats to promote east German

Mr Manfred Müller, a former

Once again, though, it seems

odds were also against him: no modern German government has fallen at the elections; they have collapsed mid-term with the break-up of the governing coalition. Had Mr Scharping made it, he would also have been the first state premier to manage the leap from a provincial capital directly to the

chancellor's office in Bonn. Most importantly, party members and outside observers were agreed that Mr Scharping had emerged from

Sunday's vote unchallenged as the party's leader. For the time

parliamentary leader. Ironi-cally, however, the very suc-

cess has exposed the party's

weaknesses as it tries to define

its role in the Bundestag, and

what kind of party it wants to

Ms Christa Luft, economics

minister in the last Communist

government in East Germany

who was elected for the PDS in

east Berlin, said she would

lobby hard for east German

interests. We have to have a

new policy for the east German

become.

party (PDP), the small liberal party which has been in coalition with the CDU since 1982, might decide in the next few years to transfer its allegiance and support the SPD, reversing the move it made 12 years ago when it caused the collapse of the then SPD government.

A more plausible, though still distant, possibility is that the CDU and SPD move closer together over the next four years if it becomes apparent that Mr Kohl's new 10-seat government majority is becoming untenable.

Such a grand coalition does in practice already exist. Mr Kohl has a majority of just 10 seats in the Bundestag, while the SPD controls just over 60 per cent of the votes in the Bundesrat, the upper chamber which represents Germany's 16 Länder, and which approves all Bundestag legislation.

The parallels with Mr Kohl bode well for Mr Scharping's future. Both were state premiers of the Rhineland-Palatinate, the wine-growing southwestern German state.

Now Mr Scharping hones that he will today be endorsed as the leader of the SPD's parliamentary party aged 46, as Chancellor Kohl was when he took over his party in Bonn in 1976. Mr Kohl had to wait just six years before he managed to move from parliament into the

interests, and to dispel the per-sistent image in western Ger-

many that it is at heart either

still communist, or merely an

To achieve the latter, the

PDS knows it has to confront

three issues: its membership

structure; whether it will

remain a regionally-based

party for the east Germans, akin to Bavaria's Christian Social Union; and if it can iso-

late the Communist Platform,

The party's voting structure

its influential Leninist faction.

ephemeral "protest" one.

Election results: the coalition scrapes back The new Bundestag has ten more seats than the Parliament from the political left to the right:

who holds the Bundestag's 672 seats" and % of votes won outgoing and Social Democratic party 36.4% (33.5%) perty (FDP) 47 seats (79) 5.9% (11.0%) (CSU) 294 sents (319)

Overhang mandates' help

Chancellor Helmut Kohl's governing Christian Democrat coalition, which in the early hours of the federal count had its slender majority reduced to two, managed to increase it by eight because of the "overhang mandates", a peculiarity of the German political system. The opposition Social Democrats gained four extra seats in this way, writes Judy Dempsey in

The system works as follows. If a party gains more seats on the first vote (for directly-elected individual constituency seats) than its share based on the second vote (for the party) then the number of seats is increased by the difference. These are known as "overhang

For example, in the case of Mecklenburg-Vorpommern, the CDU won seven of the nine constituencies. In the second vote, it

was allocated five seats. This number reflects the state's share of the overall federal CDU party vote, which was just over 34 per cent, the equivalent of 232 seats.

But since the number of seats the CDU won on the constituency level exceeded by two the number of seats available to the Mecklenburg-Vorpommern CDU on the federal party list, the party still retains the right to send the seven directly-elected deputies. The extra two are known as overhang votes.

Through the overhang mandate system, the CDU won extra seats in several other constituencies, which helped boost Mr Kohl's majority. These include two overhang mandates in Baden-Württemburg, two in Saxony-Anhalt, three in Thuringia and three in Saxony. The outgoing Bundestag had six such overhang mandates. The incoming one will

**Financial** markets show their approval

By Andrew Fisher in Frankfurt

German financial markets opened yesterday with a positive reaction to the election result, but profit-taking and concern over the sharp cut in the government's majority left share prices slightly lower.

Initially, the Frankfurt stock exchange gained nearly 2 per cent, measured by the DAX-index of 30 leading shares, later easing to close 0.7 per cent down at 2,091 points.

Markets had already shifted last week from pessimism about a possible defeat for Chancellor Helmut Kohl to the expectation of a victory for the coalition his Christian Democratic Union (CDU) leads. Thus the vote's outcome had been discounted, with the DAX up by 7.4 per cent over the week

The stock market also failed to draw any benefit from yes terday's firmer bond market where prices continued last week's gains. Traders said higher bond prices reflected the strength of the D-Mark which yesterday stood at around DM1.50 against the dollar, a two-year high.

Although the coalition's majority fell from 134 to 10. economists felt investors would be encouraged by the reelection of Mr Kohl's government, committed to making Germany more competitive through deregulation, privati-sation and debt-cutting.

"The good news is that the government can continue, said Mr Norbert Braems, Frankfurt-based economist at Barclays de Zoete Wedd. But, he added: "The narrow majority does not make politics

The first test would be the next budget; the government intends to reintroduce an income tax surcharge to help pay for east German reconstruction. The opposition would be strong, he said, particularly because of the Social Democrats' increased majority in the upper house, the Bundesrat - which can hinder legislation - thanks to its performance in Sunday's regional state elections.

Economists said the Bundesbank would watch to see how decisively the government held back public spending. The hank has been concerned quences of the cost of rebuild-

ing east Germany. Yesterday's September wholesale price figures for west Germany, with a rise of 2.8 per cent on the year against 2.2 per cent in August, showed inflationary tendencies persist.

The Bundesbank reported on favourable trend in federal finances in its monthly report, however. It said the government had cash reserves of some DM11hn as a result of its capital-raising late last year. The federal cash deficit fell to DM15.3bn in the first nine months from DM38.7bn in the same period of 1993, partly as a result of a higher profit from the Bundesbank.

## swell Kohl's majority

mandates". This is done on a state-to-state

## Election boost poses dilemma for east German party The PDS must decide whether to widen its horizons, writes Judy Dempsey in Berlin is already changing. Although 90 per cent of members are forreflect its vote Mr Andre Brie, the campaign manager, and



Parliamentary leader Gregor Gysi: "We have proved we are a genuine left-wing party for the east Germans."

The PDS will thus have to tation that they will retain an identity, and interests, separate from west Germans', or should move into the western states ~ the party has already captured 5 per cent of the vote in the radical Kreuzberg district of west Berlin.

Infas, the independent polling

organisation, have shown that

more than 20 per cent of PDS

voters are under 25 - too

young to have any meaningful

communist background. How-

ever, more than 30 per cept are

unemployed. "This vote will

erode over time," said Mr Brie.

adding that it would be strate-

gically unwise for the party to

rely on this protest vote.

"When the economy picks up, peoples' voting habits will

"We want to get a foot in the west and be seen as the alterwest and be seen as the atter-native left-wing party," said Mr Lothar Bisky, PDS leader. That carries a risk. Were the PDS to go nationwide, it could split the left-wing vote in the west to the advantage of Chancellor Helmut Kohl's Christian Demo-

But these problems pale in comparison to the task the party faces in shaking off its

communist legacy so that it local governments might also can move towards becoming, find it ideologically more at least in east Germany, a genuine east German social democratic party. If it wants to woo SPD votes in the east, and later in the west, it knows it must expel the Communist Platform.

Achieving this would remove the charge that the PDS is a mere front for communists.

find it ideologically more acceptable to work with. A "purge", though, would deprive the party of a vital and disciplined grassroots element which helped increase its influence in all five east German states. "But it is a showdown we have to have," said Mr Bisky. "And we have to address these issues very

## in Spanish. At The Regent we'll even take a few notes when the occasion demands.



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## Job cuts spark strike at Skoda

Ten thousand workers at Skoda Automobilová, the Czech carmaker that is part of the Volkswagen group, staged a half-hour warning strike yes-terday over plans to make 800 employees redundant by the end of the year. More stop-pages are threatened.

The dispute risks disrupting the launch next month of Skoda's Felicia model, its first new product since 1988. It could also rebound on VW's delicate talks with the government on increasing its stake. Skoda says the job losses announced last month, are nec-

DENMARK: Fmancial Times (Scandin-avia) Ltd. Vimmelskafted 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

essary to increase competitiveness and it has hinted at more next year. The company employs 17,000 people.

Union representatives insist, however, that wages are lower and productivity higher at Skoda's Mladá Boleslav plant north of Prague than in Euro-

pean Union countries.

Volkswagen's 31 per cent of
Skoda is due to rise to 70 per cent under a 1991 agreement with the government, at a total cost of DM1.4bn. VW also agreed to invest DM8bn, but it announced last year that it would cut this to DM3.75bn after running up huge losses at its Seat subsidiary in Spain.

The original investment envisaged production levels of 400.000 cars yearly at Skoda by 1997, but this is expected to be changed to about 300,000 by the

end of the decade. Production has fallen steeply this year as the company's old Favorit model has been phased out and new assembly plants installed to produce the Feli-cia. Overall production is expected to dip to 180,000 this year from 220,000 last year, but Skoda says it should rise to 1993 levels again next year.

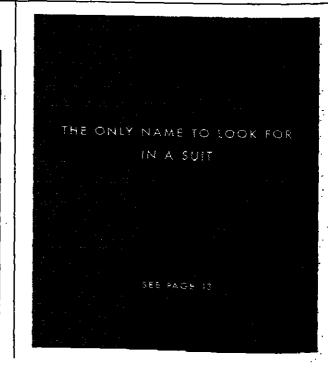
Skoda lost Kcs4.26bn (\$154m) last year on revenues of Kcs35bn, and further losses are expected again this year.

Volkswagen and the govern-ment are discussing an addendum to the 1991 agreement under which the carmaker would commit itself to production, employment and invest-ment targets. The talks are due to be completed by the end of this month. Even at its reduced level Volkswagen's investment is the biggest in the Czech Republic to date. Hostility to foreign investment growing, however, as the Skoda investment and other high-profile deals, such as that of Air France in Czechoslovak Airlines, begin to run into

Czech telecoms, Page 22

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## **NEWS: EUROPE**

## says fears caused fall

By John Lloyd in Moscow

Statistics of Milks

Financia

markets show the

approval

The official investigation into the reasons for the more than 20 per cent fall in the value of the Russian rouble last week points to fears about the underlying weakness of the economy and not to subversive or criminal manipulation of the market, as senior Russian officials, including President Boris Yeltsin, initially

Mr Mikhail Zadornov, a member of a special investigation into the currency collapse, said yesterday that rising infla-tion, lower bank interest rates, a new tax on bank deposits and a presidential decree ordering all transactions of more than \$10,000 (£6,329) to be reported to the tax police came together to produce a flight from the rouble. The probe is being led by Mr Oleg Lobov, the secretary of the Security Council, which reports to Mr Yeltsin on matters of national

The immediate cause of the rouble run, said Mr Zadornov, was "weak co-ordination" between the Finance Ministry and the Central Bank. He said the bank, which had drawn heavily on hard currency reserves which stood at only \$5hn on August 1 during trading in August and September, had ceased to intervene last week and precipitated the

The findings of a report by the commission investigating the currency fall, which has not yet been officially released, was confirmed yesterday by leading Moscow bankers. Mr Vladimir Vinogradov, president of inkombank, said yesterday that a lack of financial products in which money could be invested - apart from short-term Treasury bills meant that fears of inflation and the drop in interest rates sent investors fleeing from the rouble into the dollar.

Why can't the Central Bank develop a range of products as others are learning to do?"

a further sharp fall in the rouble in trading yesterday were not fulfilled. The Russian currency fell by only eight points to end the day at Rbs2996 to the dollar. The currency fell to Rbs4000 to the dollar on "Black Tuesday" last week, to recover after bank intervention to

There is, however, less unanimity on the successor to Mr Victor Gerashchenko, the Central Bank chairman who resigned after what was said to be a frosty meeting with Mr Yeltsin last Friday - or even if his resignation is constitutionally in order.

Rbs2888 last Friday.

Mr Zadornov, chairman of the parliament's budget committee, said his committee believed the resignation, accepted by Mr Yeltsin, should be debated by parliament and suggested that Mr Gerashchenko should be re-appointed acting chairman until another

candidate is found. Mr Vladimir Gusinsky, head of the Most financial group and vice-president of the Association of Russian Banks, said that the chairman "must be a professional, not a macroeconomist" - a comment which indicated that the bank chiefs are against the appointment of either Mr Boris Fyodorov, the former finance minister, or Mr Yegor Gaidar, the former prime minister.

The NTV independent TV channel - which Mr Gusinsky owns - reported on Sunday that Mr Gaidar would be appointed as head of the bank. However, his office said yesterday that Mr Gaidar would make no comment.

Mr Fyodorov said that the rouble's fall was engineered by the Finance Ministry and the Central Bank to "patch up the holes in the budget" by artificially lowering the rate of the rouble. He said the incident showed that the government had no defined economic policy and that there was "insufficient political will" to continue

## Rouble probe Arrest warrant issued for Spanish financier

By Tom Burns in Madrid

An arrest warrant was issued yesterday for Mr Javier de la Rosa, the Barcelona-based financier who in the 1980s became a symbol of the then booming Spanish economy as he orchestrated a major investment drive by the Kuwait Investment Office (KIO) into the

The chief prosecutor of Catalonia's supreme court in Barcelona, Mr Carlos Jimenéz Villarejo, said that the arrest had been ordered on counts of frand, misappropriation of public funds and falsification of legal documents in connection with Mr de

Mr de la Rosa is accused of rerouting towards other businesses in his holding Ptalbn (£4.96m) of a Ptal0bn credit, guaranteed by Catalonia's Generalitat government, that he obtained in order to develop a theme park south of Barcelona. Rariier this year Mr de la Rosa sold his interests in the theme park to a consortium headed by the UK's Tussauds Group, part of Pearson, owners of the Finan-

cial Times. Mr de la Rosa, who was on a hunting trip in central Spain when the warrant was issued, meanwhile told a radio station that he was travelling back to Barcelona to present himself

pany Gran Tibidabo and that he to the court but that he could not geted Mr Mario Conde, who was tion into Mr de la Rosa's affairs could would oppose ball. "understand what all the fuss was removed as chairman of Banesto, extend to local politicians.

about". The arrest order has shaken the domestic financial establishment, which had viewed Mr de la Rosa's rapid creation of one of Spain's biggest private fortunes with a mix of

awe and envy.

"A lot of people considered de la Bosa an upstart and had it in for him but the general belief was he would get away with it; now they are thinking again," said a Madrid bro-

a wider judicial movement against the self-made multi-millionaires of

removed as chairman of Banesto, one of the leading domestic banks at the end of last year and Mr muel de la Concha, a former head of the Madrid stock exchange who was held briefly in prison earlier this year in connection with the collapse of a private banking empire he had

The move against Mr de la Rosa is also likely to have an embarrassing knock-on effect in Catalan political circles as his meteoric business career had been consistently backed by the local nationalist party as an example of Catalonian enterprise. Prosecutor Jimenéz Villarejo hinted

Mr de la Rosa lost executive responsibilities at Grupo Torras, the KIO's investment arm in Spain, in a 1992 management shake-up and came under further pressure at a stormy shareholder meeting of his Gran Tibi-dabo holding in June after a revised audit declared losses of Ptallbn last year in place of profits of Pta16m.

Separately, the Barcelona financier, along with other former KlO executives, is being sued in Madrid and London by the Office's present board over alleged losses of Pta500bn that forced Grupo Torras into receivership two years ago.

## Six-week row over cabinet prompts president's action

## Poll called to end Bulgaria crisis rise in revenues

By Theodor Troev in Sofia and Anthony Robinson in London

The Bulgarian president, Mr Zhelyu Zhelev, yesterday ended a six-week-long cabinet crisis by dissolving parliament and appointing Ms Reneta Ind-jova to lead an interim government until early general elections on December 18.

Ms Indjova, a tough-minded, 41-year-old economist who helped to draw up the economic programme of the anticommunist Union of Democratic Forces (UDF), is the first. woman premier in this Balkan country's political history.

Early elections were made inevitable by the refusal of the two biggest parliamentary groups, the Bulgarian Socialist party (BSP) and the UDF to try to form a government to replace the non-party government of technocrats headed by Mr Lymben Beroy.

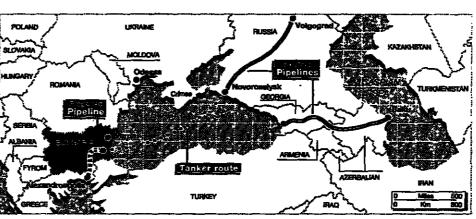
Mr Berov, who survived a severe heart attack in March and six no-confidence votes over the past 12 months, resigned on September 2 after successfully concluding negoti-ations for a reduction of Bul-garia's \$9.3bn foreign debt and a strategically important oil pipeline deal with Russia.

His government, which was supported by Socialist party votes and a handful of breakaway groups from the UDF, was never forgiven by the UDF which won the October 1991 elections but resigned and was replaced after only a year in office by Mr Berov. This followed a no-confidence vote in Mr Philip Dimitrov, the then UDF prime minister.

The UDF saw the government as a front for the BSP with its roots in the communist past and continued to press for early elections. This

imposed embargo on neigh-bouring Serbia and the Greek blockade of the former Yugoslav republic of Macedonia also made millionaires out of smugglers and led to widespread bribery of poorly paid officials

public morale. Sensitive to such complaints. ing the bureaucratic system and creating the institutional and legal framework needed to



is in spite of the fact that opinion polls indicate that the BSP is likely to emerge from elections as the largest party, albeit without an absolute maiority.

The government was also held responsible for the emergence of a new class of businessmen who made quick profits from the illegal, or so-called "shadow", privatisation of state or municipally owned

Breaking the United Nations-

President Zhelev appealed to Ms Indjova to declare war on crime and to clear the administration of people with Mafiatype connections.

Critics also blame the slow pace of privatisation for the lack of transparency which has encouraged the enrichment of former communist officials.

The outcome of the elections will be closely watched both by potential western and Russian investors who are looking for a government capable of improv-

sustain several planned large infrastructure and industrial projects. The most important is \$700m oil pipeline, to be financed largely by Russian oil companies and Greek banking and shipping companies.

The pipeline will run from

Burgas to the northern Greek

port of Alexandroupolis, by-

passing the congested Bos-

porus. It will strengthen the hand of Russia which is deter-

mined to maintain a strangle-

hold over future exports of oil

and gas from the entire Cas-

pian region by ensuring that future regional pipelines con-

verge on its own Black Sea

port of Novorossiysk before

transshipment to Burgas and

on to the Aegean sea.

Portugal aims to consolidate a downward trend for the budget deficit after a large budget overrun in 1993 when the deficit jumped to 7.1 per cent of GDP. The original target for 1994 was 6.9 per cent but has been lowered as a result of higher than expected tax reve-

forecast to grow by 7 per cent compared with 1994, to Es3,649.2bn (£14.7bn). The central value added tax rate is to be raised from 16 to 17 per cent. But Mr Catroga said the direct tax burden would not increase as a percentage of

Public spending is to rise 5.2 per cent, above forecast 1995 inflation of 3.5-4.5 per cent, to Es4,380.8bn. But Mr Catroga said the increase in current

## Lisbon looks for

centre-right Portugal's government yesterday presented to parliament a moder-ately restrictive budget for 1995 that allows room for a high level of European Unionfinanced investment in the approach to a general election

Mr Eduardo Catroga, finance minister, said the budget defi-cit would be cut to 5.8 per cent of gross domestic product from an estimated 6.3 per cent this year. The reduction is to be achieved through increased revenue rather than by spending cuts.

Overall revenue next year is

spending would be lower than the inflation rate. Public investment is to rise by 15 per budget contributions to EU-fi-

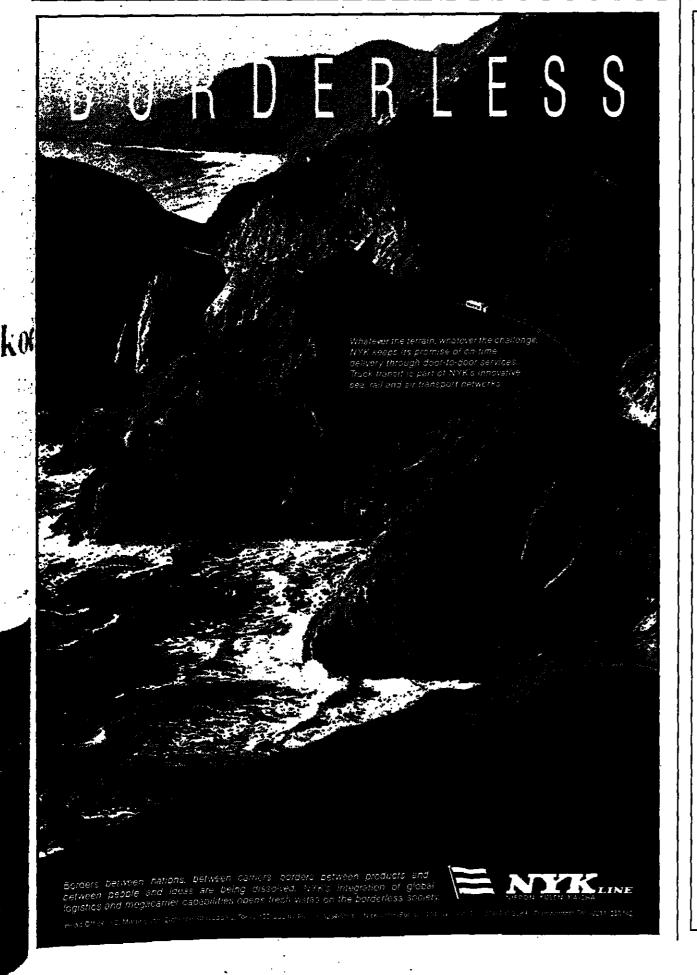
nanced projects. The government aims to stimulate economic recovery in the run-up to the election. GDP growth resumed in mid-1994 after two years of recession and is expected to reach 1.1 per cent this year. Mr Catroga forecast the economy would expand by 25-35 per cent in

But Mr Anîbal Cavaco Silva, prime minister, is also concerned to meet targets for nominal convergence with the EU, particularly now that the possibility of a multi-speed Europe has been raised by politicians in Germany and France.

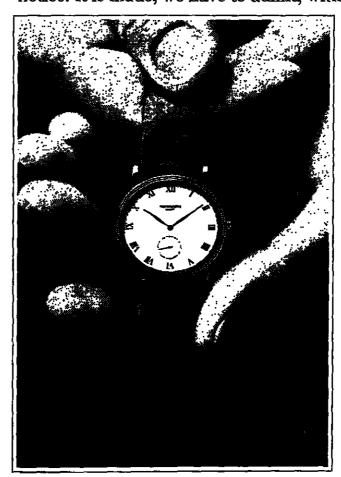
Failure to cut public debt, inflation and interest rates would hinder Portugal's participation in economic and mone-tary union. The 1995 budget deficit target Mr Catroga announced yesterday is equal to that earlier suggested by the European Commission.

"If we lose the battle to reduce the budget deficit, Portugal will forfeit the political weight required to defend its interests within the European Union," Mr Cavaco Silva warned at the weekend

He was talking to trade unionists after the collapse of efforts to forge a 1995 wage pact between government. employers and unions.



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**NEWS:** EUROPE

## Finland's EU vote boosts Nordic hopes

By Hugh Carnegy in Helsinki and Karen Fossli in Oslo

Mr Ingvar Carlsson, the Swedish prime minister, flew to Oslo yesterday for talks with Mrs Gro Harlem Brundtland, his Norwegian counterpart, as the two leaders sought to capitalise on Finland's approval of European Union membership in their own EU referendum campaigns. Both Mr Carlsson, making his first

welcomed the result of Sunday's Finnish vote and said it should help persuade sceptical voters in Sweden and Norway to accept EU membership in referendums due in the two countries on November 13 and 28

Opposition in Sweden and Norway is more deeply entrenched than in tory by 57 per cent to 43 per cent - Finland. Mr Carisson's own cabinet was not as decisive as had been includes two prominent anti-EU cam-

general election, and Mrs Brundtland

Democratic party won last month's paigners. But he said the Finnish vote undercut the argument from the no campaign that there was a Nordic alternative to the EU. "It would be striking for Sweden to be outside the Union when Denmark and Finland are inside," he said.

However, leaders of the strong anti-EU campaigns in both countries said the Finnish result - a yes vicexpected and they pledged to continue their fight against joining the Union. Ms Anne Enger Lahnstein, leader of Norway's anti-EU Centre party, said: "Supporters of the EU are depending on a momentum from Fin-land. But Norwegians will react

gainst such an influence. The Finnish vote meant two out of the four European Free Trade Association countries which agreed terms for EU membership earlier this year have now won national referendums on the issue. Austria voted in June

The last hurdle in Finland before taking up membership on January 1 - a historic move for a neutral coun try which has lived in the shadow of so-far unscheduled parliamentary vote. Under the Finnish constitution, membership must be approved by a two-thirds majority, leading to some concern that EU opponents might try to mount a last-ditch blocking effort.

## EUROPEAN NEWS DIGEST

## Euronews seeks new investors

The four big public television shareholders in Euronews - Europe's attempted answer to CNN of America - yesterday pledged to fund the satellite news station for the next two years and to bring in private capital.

The French, Italian, Spanish and Swiss public television companies, which together own about half of Euronews, promised to provide "the necessary funding" for the station to continue in 1995-96. Euronews has so far piled up losses of FFT150m (£18m) in its first two years of transmitting identical pictures in five different languages for 20 hours a day, despite a FFr20m a year subsidy from the European parliament. Its main problem is that despite a claimed audience in the tens of millions, through cable, satellite and terrestial re-broadcast, it has failed to pull in much advertising. David Buchan, Paris

## Italian grain 'king' arrested

Mr Franco Ambrosio, the largest private grain trader in Italy, was arrested yesterday in Naples on charges of being involved in illicit financing of political parties. The charge related to a L7.5bn (£3m) payment made in 1990 by the late Pietro Barilla, then a leading industrialist, which Mr Ambrosio is alleged to have deposited in a Swiss bank account on behalf of the Socialist party. The arrest was ordered by Milan magistrates as part of their investigations into the secret use of account at the Clariden Bank, Geneva, by the Socialist party, then headed by Mr Bettino Craxi. Mr Ambrosio, dubbed "the king of grain", has his trading base in Naples and he is the biggest business figure in southern Italy. He has aiready been arrested business figure in southern Italy. He has already been arrested once in the past year on charges of alleged corruption, but this related to investigations by Naples magistrates. Robert Gra-

## Swedish sell-offs to slow down

Sweden's new Social Democrat industry minister, Mr Sten Heckscher, has said two existing privatisation plans would continue but that he was less enthusiastic about state asset sales than his conservative predecessor. "Privatisation is not a religion for us," he said in a weekend interview with the business daily, Dagens Industri. The planned flotation of the bank, Nordbanken, and the sale of more shares in the drugs maker, Pharmacia, would continue. However, in Nordbanken's case, Mr Heckscher said there would be no hurry to comply with the target of early 1995 set by the previous minister, Mr Per Westerberg. Mr Heckscher said that he would consider some privatisation of the national telecommunications company, Telia, "but I am convinced that the state must ensure it has a significant control over this company in the foreseeable

- -

## Greek opposition gains ground

Greece's conservative opposition New Democracy party came out ahead in Athens and Thessaloniki in Sunday's first round of local government elections, but the governing Panhellenic Socialist Movement (Pasok) retained its popularity in the countryside. Mr Constantine Kosmopoulos, the ND candidate, won a second term as mayor of Thessaloniki, capturing 52.4 per cent of the vote to 32.1 per cent for Mr Nikos Akritides of Pasok. In Athens, Mr Dimitris Avramopoulos of ND, took 44.2 per cent of the vote to 32.3 per cent for Mr Theodoros Panga-los, Pasok's ex-European affairs minister. Mr Pangalos predicted victory in next Sunday's run-off. Kerin Hope, Athens

## **ECONOMIC DIGEST**

## Swedish unemployment falls

Unemployment in Sweden fell last month in line with a trend of gradual improvement bers out of work remain at government training pro-8.1 per cent of the workforce, in September, down from 8.8 per cent in August and below many jobs, much of the fall in was due to a rise in the num-

■ The number of jobless in Poland fell to 16.5 per cent in September from 16.8 per cent in August, but it was up from 15.4 per cent a year ago.

Hungary's monthly consumer price index rose 2.3 per cent in September, up from 1.4 per cent in August, making it 18.9 per cent higher than a year ago.

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## Finns see new era of prosperity in Union

By Hugh Carnegy

The Finnish electorate's clear approval of the country's move to join the European Union was welcomed yesterday by government and both sides of industry who believe membership will cement Finland's recovery from the deepest recession experienced by an industrialised country since

the second world war.

"EU membership is good for our economy," said Mr Sixten Korkman, director general of the finance ministry's economics department. "It should help to sustain the momentum of our recovery and help to bring down long-term interest rates. Investment activity should benefit because there will be more certainty about the rules

of the game." Mr Jarl Köhler, head of the country's forestry industry association, said: "This means a lot for [Finnish] industry, especially for the for-estry industry."

Finland's economy is already rebounding from a recession that between 1990 and late 1993 saw output shrink by some 15 any member of the Organisation of Economic Co-operation and Development in the post-

war period. Loss of vital trade with the neighbouring Soviet Union, the bursting of a huge 1980s credit boom, the international recession and the burden of a big welfare system combined to throw the economy violently into reverse, driving up unemployment to almost 20 per cent

of the workforce. This year an export-led recovery has taken hold, with the country's big forestry industry and companies such as Nokia, the telecommunications group, bene-fiting from renewed international demand and the low value of the Finnish

Markka, which is about 20 per cent below its 1991 level against a basket of currencies. Gross domestic product is expected to grow by about 4 per cent this year and by at least 5 per cent in 1995.

Finnish political and business leaders have been careful not to portray EU membership as a magic formula for greater growth. Although Finnish exports will no longer be subject to EU customs duties, most of the other direct tradalready available through Finland's membership of the European Economic Area.

Mainly because of the extra costs of cushioning Finland's highly subsidised agriculture from the adjustment to lower EU producer prices, EU membership will add a net FM10bn (£) 25hn) in costs to the government's budget in 1995. This will help push up state debt set to the equivalent of 70 per cent of GDP next year and prolong the struggle to bring the budget deficit to within the EU's Maastricht criteria for Euro-

pean monetary union.
But the benefits of membership are expected to flow in other ways. Lower agricultural prices will further dampen annual inflation, already run-

ning at a lowly 2 per cent. Yes-terday, long-term interest rates continued the downward path they have been following since opinion polls began forecasting a firm Yes vote in the referendum. Yields on 10-year government bonds stood at around 10 per cent, down from a peak of around 11.5 per cent in mid-Au-gust. The Markka also

The hope is that such trends will boost investment - which is vital to sustain the ambidential commission on unem-

strengthened in another sign of market confidence.

tious levels of growth needed to make significant inroads on unemployment. A recent presiployment said annual growth of 5 per cent was required up to the end of the decade just to get unemployment down to 8 Finnish officials are also

per cent from the present level

of 18 per cent

Loping that being in the EU will encourage foreign investors to look more seriously at Finland, which only abolished its last restrictions on foreign ownership of Finnish compa-nies at the end of 1992. Since then there has been a flood of foreign buying of shares in Finnish companies, but little direct foreign investment in

the country.
In the drive to attract inward investment, the new Invest in Finland bureau, set up by the government, is stressing the location of the country as a gateway to trading with Russla, with which Finland shares a 1,270km-long border and a

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## Cornerstone for new Middle East

Israel and Jordan point the way to regional economic changes, writes Julian Ozanne

he Israel-Jordan peace treaty initialled in Amman yesterday is the most important cornerstone yet of plans for a new Middle East marked by Arab-Israeli trade, integration and regional economic development.

The geographical proximity of the two countries and the opportunities for joint projects in energy, water, tourism and shared use of ports, airports and roads will take the new Middle East beyond the drawing board.

The agreement comes two weeks before Arabs and Israelis are due to meet in Casablanca at a conference to to cement peace in the Middle East. On the Casablanca agenda are plans to form a regional development bank, initially capitalised at \$10bn. and to raise finance for at least 150 private and public sector projects worth \$25bn (215.8bn) in investment over 10 years. Furthermore, with a second

Arab neighbour formally at peace with Israel, economic relations with Egypt, a much larger economy than Jordan, should increase after more than a decade of cold and cautious peace and minimal trade.

"This is an enormously important piece of the eco-nomic puzzle," Mr Ehud Kaufman, senior Israeli economic negotiator, said yesterday. "Jordan is a trading country at the heart of the Middle East with western standards and a desire to boost its economy." Economic negotiations

backed by detailed plans, are already well advanced and yes-



Rabin (left) and Hussein: signing a peace treaty yesterday against all the odds

terday's agreement will allow for speedy implementation of

First on the agenda is the construction of dams on the Yarmouk and Jordan rivers and a desalination plant at the Sea of Galilee. Under the peace agreement, Israel has promised to raise the finance and, says one official, the European Union has agreed to meet half the costs. There are hopes of finance from the US-backed Overseas Private Investment Corporation.

The second most immediate development will be the wider opening of borders to promote trade and tourism. A new border crossing at Bet Shean south of the Sea of Galilee is expected to be opened early next month. The main aim of the crossing, supported by an upgrading of roads, will be to give Jordan access to the Israeli Mediterranean ports of

Haifa and Ashdod.

The new crossing, combined with that opened two months ago between Aqaba and Eilat, will also boost tourism. Once the agreement is formally signed, Jordan is expected to lift the ban on Israeli passport holders crossing into Jordan and to speed the movement of vehicles.

Israel last week transferred responsibility for a third crossing at the Allenby bridge from formal bilateral trade deal.

the military to the ministry of transport and Jordan abolished the requirements for special permits to cross the bridge.

In return for Jordanian access to Israel's ports, Israel is hoping for a quick agreement for shared use of Jordan's huge Red Sea port at Aqaba to gain easy access to markets in east Asia. Use of Aqaba would also allow Israel to give scarce land in Etlat, currently used by its port, over to the more profitable and booming Eilat tourism industry.

In trade, Mr Kaufman said yesterday, the agreement would allow Israeli negotiators to move ahead quickly with a

Israel has already granted Jor-dan a preferential trade concession worth \$30m a year for exports into the still Israeli-occupied West Bank.

Mr Kaufman said both sides were committed in principle to a free trade area with the removal of customs barriers but first would conclude an agreed list of products. While Israel would continue to give Jordan preferential trade treatment to support its political courage, he said Israel now wanted a formal agreement to "underscore the fact that the trade boycotts and barriers are removed formally and in prac-tice". Within a few years trade could approach \$1.5bn or \$2bn.

JORDAN SAUDI ARABIA

Mr Kaulman said.

Air links between the two states are also expected to be concluded within weeks of the formal signing ceremony. Linking the electricity grids of Israel and Jordan is already under way, starting with Eilat

and Aqaba.

Jordan's \$4.5bn economy is dwarfed by Israel's which last year had a gross national product of \$70bn. But the two countries, spurred by the political commitment of their leaders to a new Middle East, are the most likely to develop economic co-operation providing both a vital building block and a model of economic transfor-

Interest rate controls lifted Bank interest rates in Japan were yesterday freed from final

US. William Dawkins, Tokyo

INTERNATIONAL NEWS DIGEST

down again

Tokyo surplus

Japan's trade surplus continued its slow decline in September, for the second month running, with an unexpectedly large 4,6

per cent annualised fall, to \$11.94bn (£77.2m). A strong growth

in imports, sucked in by Japan's recovering economy, outweighed a rise in exports to the fast-developing markets of

Asia and to a strong US economy. It brings the trade gap for

the six months to the end of September to \$59.38bn or 0.7 per cent less than the same period of 1993, the first such decline for 3½ years. On a three-month sliding average, which shows a

clearer trend for Japan's volatile surplus, the gap, at \$9.4bn, is

the lowest since January last year. "it's pretty clear the surplus is declining, though at a painfully slow rate," said Mr

Jim Vestal, chief economist at Barclays de Zoete Wedd in

Tokyo. The good news was partly undermined by a 13.2 per cent rise in Japan's trade surplus with the US, to \$27.09bn in

the six months to September, suggesting that yesterday's

figure will bring little relief to Japanese industry in the form of a weaker yen. Japanese exports to all destinations in the first six months of the fiscal year rose 8.3 per cent, while imports grew rather faster, by 12.7 per cent. Increased energy

use during Japan's unusually hot summer is one reason for

the rise in imports. Another is the strong growth in purchases

of foreign food, drink, clothing and other consumer goods, where the yen's strength has fed through to bargain prices.

Three-quarters of export growth came from sales to other Asian countries, Japan's fastest growing market and invest-

ment destination, where the trade surplus for the six months

rose to \$31.4bn. This continues a trend started last year, when

Japan's surplus with Asia outstripped its surplus with the US

produced none of the political problems of its surplus with the

for the first time. But so far, Japan's Asian trade gap has

government controls, as the finance ministry completed a series of deregulatory measures begun in 1985. Interest rates on ordinary and savings deposits rose slightly above their peviously fixed levels, in line with the general upward drift in market interest rates. Rates on ordinary bank deposits, which were a uniform 0.22 per cent a year, increased to between 0.27 per cent and 0.3 per cent at the country's main commercial banks. Rates on time savings deposits rose by between 0.05 and 0.1 percentage points. Until 1985, virtually all Japanese interest rates were fixed by the government, as it sought to keep both borrowing and lending rates low, to finance the country's post-war economic reconstruction. But, under pressure from foreign governments and financial institutions, the finance ministry allowed a limited deregulation of interest rates that year. A slow, rolling process of deregulation ensued. The deregulation will put further competitive pressure on banks, already weakened by a large stock of bad debts. In future they will be forced to compete more on interest rates than services; in a period of rising rates, that is likely to eat further into their already poor profitability. Gerard Baker

Japanese bankruptcies decline

Corporate bankruptcles in Japan continue to decline, but those companies that do collapse are getting bigger, according to Teikoku Databank, a credit research agency. The number of companies to close their doors fell by 6.8 per cent from a year earlier to 1,143 in September, for the third month in a row. But their debts piled up by 30.2 per cent to Y568bn (£3.8bn), the highest this year, a sign of how companies damaged in the recession can easily be brought down by the strains on working capital imposed by even a gentle upturn. A handful of large corporate collapses was to blame, including the Y100br failure of Fasuto, a property developer, and a rise in bankruptcies in construction and manufacturing. Teikoku says. Of the total, 702 bankruptcies were caused by recession, while a surprisingly low 10 casualties were attributed to the strength of the yen. William Dawkins, Tokyo

## Telecom networks in Africa

A unit of Japan's Nippon Telegraph and Telephone is joining a project of California's Stanford University to set up telecommunications networks in Africa using optical fibre networks and satellites. Nippon Telegraph and Telephone International and Hughes Aircraft of the US agreed to join Afronetwork, a company set up in June by Stanford's Satellite Planning Centre. The company would provide consulting services for the construction and management of telecommunications net-works in African countries. Separately, Tunisia and AT&T of the US are discussing a cable project around the African continent. Reuter, Tokyo

## Iraq considers border issue

Iraq's People's Assembly yesterday gathered for an extraordinary, secret session, amid speculation that it was about to approve the recognition of United Nations demarcated borders with Kuwait and the Gulf state's sovreignty - a fundamental UN Security Council precondition for any moves towards the easing of sanctions. The hastily-called meeting was expected to deliver an official recognition of Kuwait's sovreignty and borders in the terms required by this weekend's Security Council resolution, which called on Iraq to make the recognition through "full and formal constitutional procedures". No announcement was forthcoming at the end of the meeting. In New York, Mr Andrei Kozyrev, the Russian foreign minister, reported formally to the UN security council on his Baghdad talks and reiterated Moscow's view that members should consider lifting the oil embargo in about six months if Iraq showed honest co-operation and followed through with recog-nition of Kuwaits borders. Ms Madeline Allbright, the US delegate, responded that the crisis created by the recent Iraqi troop deployments was still not over. As for promises made to Mr Kozyrev America placed no more value on these than on previous Iraqi pledges. The council should categorically reject any idea of rewarding Iraq for " partial compliance with some of its obligations," she said, citing a list of other requirements under UN resolutions. Mark Nicholson, Baghdad and Michael Littlejohns, New York

## Indonesia looking for \$50bn

Indonesia will need more than \$50bn (£33.3bn) in infrastructure investment over the next five years, President Suharto said at the opening of the world infrastructure forum Asia, which the Indonesian government is hosting this week. "We hope most of this investment is borne by the private sectors, both domestic and foreign," he said. According to a government report Indonesia needs the private sector to invest at least \$18bn in infrastructure projects over the next five years. That investment will be channelled mainly into toll roads, container ports, airports, power plants, housing and water supplies. In June, the government unveiled a deregulation package for foreign investment which opened up most of these sectors to foreign capital. Manuela Saragosa, Jakarta

## Suharto trial is postponed

President Suharto yesterday forced the postponement of his own trial in a landmark suit charging him with diverting state funds meant for preservation of Indonesia's rain forests. As no presidential lawyer turned up for the hearing on the opening day of the trial, Judge Benyamin Mangkudilaga of Jakarta's State Administrative Court said he had no option but to put it off until Oct. 31. Mr Suharto is not expected to testify in the trial, the first time he has been taken to court in his three decades of power. The suit, filed by six environmental groups in August, accuses Mr Suharto of ignoring ecological concerns by diverting \$183m in state forestry funds as an interest-free loan to the state-owned Indonesian aircraft industry for a project to develop a passenger plane. The prototype of the 64-seat turboprop plane is scheduled to roll out of the plant next month, coinciding with a summit of heads of state from the Asia Pacific Economic Cooperation forum. Reuter, Jakarta

## Roger Matthews shows just how delicately balanced Arab-Israeli negotiations have proved to be Three days is a long time in this peace process

Tust how delicately balanced the Middle East peace process remains was never better illustrated than during the past 72 hours. On Friday afternoon it was legitimate to speculate about a possible collapse of the negotiations between Israel and the Palestine Liberation Organisation. with potentially devastating consequences for the entire movement towards a lasting settlement. By yesterday afternoon not only had that fear receded, but the momentum the signing of a draft agreement

between Israel and Jordan. The advocates of peace, and its enemies, will both probably have been heartened by events. Hamas, the radical Palestinian faction, will have noted how close it came to provoking Mr Yitzhak Rabin, Israel's prime min ister, into breaking off talks with the PLO and forcing a bitter confronta-tion among the Palestinian commu-

Little suits Hamas better than being able to portray Mr Yassir Arafat, the PLO chairman, as a tool of Israeli security policy in repressing Palestin-ian national ambitions. By first staging a terror attack in the heart of Jerusalem and then kidnapping an Israeli soldier, Hamas got the reaction

More than 5,000 Islamic supporters, some armed, marched through Gaza City yesterday calling for the dismissal of the Palestinian military chief in a continuing upsurge of ten-sion in the Palestinian controlled area, reports Julian Ozanne.

The march followed riots earlier in the day by angry students demonstrating against an internal Palestinian crack down on the extremist Hamas movement responsible for the soldier last week.

Hamas has demanded that Mr Yassir Arafat, leader of the Palestine Liberation Organisation, sack Gen Nasr Youssef who last week headed the operation to arrest and question Hamas activists believed to have

from Mr Rabin that it sought. The end to the kidnapping, tragic though it was, would have been so much worse had Hamas been holding the soldier in territory under the control of Mr

Arafat's police. The speed with which Mr Rabin announced the resumption of talks with the PLO, suspended last week, on the holding of elections in the West Bank and Gaza and the further redeployment of Israeli troops, sug-

information on the kidnapped Israeli. During yesterday's march organised by Hamas some activists fired guns in the air in defiance of last week's PLO decision to ban unlicensed fire-

The disturbances reveal the bitter divide which has emerged between the PLO and Hamas since the kidnapping crisis. In an effort to calm the tension Mr Arafat yesterday began releasing some of the 300 Hamas detained a PLO general who ordered his troops to fire in the air during a Hamas demonstration at the Gaza central prison on Saturday.

Mr Arafat's advisers have warned the PLO leader against giving in to Israeli and western pressure.

gests the Israeli government is aware of how dangerously close the peace process had come to breaking down. It was also fortuitous that negotiations with Jordan had progressed to the point that Mr Rabin was able to head almost immediately to Amman where he and King Hussein worked late into Sunday night to complete

their agreement. King Hussein had signalled in June his intention to press ahead with

bilateral negotiations. Frustrated by the lack of co-ordination among his Arab negotiating partners, and generally depressed about the political health of the region, King Hussein said he had no option but to concentrate on his own immediate interests. The Jordanians had been angered by the behaviour of Mr Arafat, particularly over future links between the two economies, and were being given little information by the Syrians on the progress of their negotiations with

"We cannot wait any longer. We have to address the problems which relate to the interests of this coun-

try," said King Hussein.

This he has now done. In the process, the king has cemented his rapprochement with the US after the breach caused by the Gulf war, and will probably be successful in winning debt relief on some \$2bn owed to western governments. Simultaneously he has given Israel the satisfaction of having picked off the third of the five Arab nations which had sworn to remain forever united before the Zion-ist foe. Egypt, the Palestinians and Jordan have all now signed separate deals. Only Syria and Lebanon

On paper, the last stage should not

The broad outline of an agreement is already well understood by all sides. Syria requires Israel to withdraw totally from the Golan Heights, occupied in 1967. The Lebanese government, which will not act without Syria's blessing, similarly wants Israel to quit territory in the south of its country. Israel is demanding a full normalisation of relations.

present too formidable an obstacle.

The critical issue is over timing. Israel says it must have prior evidence of the Syrian commitment to peace before it will begin a staged withdrawal, which would only be completed over several years. The Syrians, of course, want their land

iven the deeply suspicious nature of Mr Rabin and Presi-dent Hafez el-Assad of Syria. it was to be expected that the media-tion efforts of Mr Warren Christopher, the US secretary of state, would only edge forward slowly. But US officials are confident progress is being made and the most optimistic talk about a breakthrough before the end of the year. Nothing would provide a greater blow to the ambitions of Middle East extremists than the sight of Mr Assad and Mr Rabin shaking hands.

By Tony Walker in Beijing

China and the US yesterday agreed to co-operate in converting the Chinese militarydominated air traffic control system to civilian management under an agreement signed by senior US and Chinese offi-Mr William Perry, the US

defence secretary, and Mr Ding Henggao, minister of the Com-mission of Science, Technology and Industry for National Defence, agreed to "pursue pre-liminary co-operation in air traffic control systems and technology".

The signing follows the Sino-US decision earlier this

year to establish a Joint Defence Conversion Commission to provide a framework for co-operation in transforming military industries to civilian use. Mr Perry and his Chinese

counterparts were seeking improved defence co-operation as part of attempts to enhance Sino-US relations. Other issues discussed by the US defence secretary and Chinese officials included human rights, North Korea and non-proliferation of

nuclear technology.

The US had identified air traffic control, exacerbated by confusion between civilian and military controllers, as a priority because of China's poor safety record.

At present China's military controls 90 per cent of the skies, with civilian controllers playing a limited role.

US officials did not go into details, but the transformation of China's chaotic air traffic control system will lead to greater involvement of US companies in the building of a

modern network. Mr Perry arrived in China on Sunday at the start of a four-day visit aimed at consolidating a recent improvement in Sinc-US relations. But US offi-cials made it clear that an embargo on arms sales to

China would be maintained. Imposition of sanctions on sales of military equipment fol-lowed the bloody events of 1989, when the military turned its guns on pro-democracy protesters in Beijing. Chinese media hailed the

visit, saying it marked the "resumption of high-level contacts between the two countries." US officials expressed satisfaction with the wideranging discussions, which included human rights issues. Mr Perry spent two hours in talks with General Chi Hao-tian, his Chinese counterpart.

These discussions will continue over the next few days. • Guy de Jonquières, Business Editor, adds: Mr Richard Needham, Britain's trade minister, has cancelled plans to visit three Chinese provinces this month after being told by Beijing that his visit was

"inopportune." The move appears intended to underline Beijing's continuing anger at political reforms in Hong Kong instituted by Mr Chris Patten, the colony's governor. However, the Department of Trade and Industry in London was playing down-the significance of the incident. It said ministerial visits were always subject to last-minute change and Mr Needham had known the visit was not going ahead before he left for a Far East tour at the weekend.

## China air traffic Kenya central bank comes under accord with US attack from angry exporters

The central bank of Kenya has exporters who claim a rapid appreciation of the Kenya shilling is strangling their \$200m (£133m)-a-year sales of fresh vegetables and cut flowers to European markets.

Since the abolition of foreign exchange controls 12 months ago, the Kenyan currency has strengthened by more than 30 per cent against the dollar. A wave of speculative capital has come from abroad, chasing high-yielding Treasury bills which offer some of the best rates of return in the world. Exporters complain they are shouldering the cost of the government's inability to bring its budget deficit, and the ineffi-

ciencies of its large parastatal sector, under control. "Interest rates must come down," says Mr Richard Evans of Homegrown, the largest suppliers of fresh horticultural produce to Marks and Spencer in the UK.

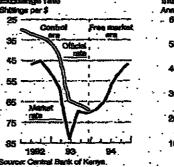
"Speculators are making windfall profits on Kenyan treasury bills, while my earnings are down by 30 per cent." Smaller export-oriented companies, he adds, are on the brink of disaster.

The predicament of Kenya's horticulture exporters, who are the third largest exchange currency earners after tourism and coffee, poses an unprecedented challenge for Mr Micah Cheserem, central bank gover-

If it were not for the bank's frequent interventions in the money market to buy surplus dollars, the shilling would be even stronger than it is. But the central bank has

already accumulated \$800m of

The shilling: further intervention ruled out



reserves, enough to cover six months' imports, and ruled out any more interventions, to stabilise the currency market. When inflation reaches single digits," Mr Cheserem says, "we will see a revival in eco-The unexpected dollar

bounty marks a dramatic turn of events. Only last year, the Kenyan government was forced to reschedule \$500m of ment in Kenya's economy, which has seen no significant growth in over two years.

nomic activity, and the greater demand for imports should ease the dollar glut."

Kenya will be hosting an

## Exporters complain of unfair burdens, Leslie Crawford reports

Mr Cheserem believes his success in curbing inflation, from an annualised rate of over 50 per cent last year to under 20 per cent, should allow interest rates to come down and a more realistic exchange

Treasury bill yields have fallen from a high of 80 per cent in June 1993 to 16 per cent this month, but commercial banks have been slow to follow

investors' conference in London next month, during which its rapid progress in deregulating the economy will be on display. Import curbs have been abolished, the currency is now freely convertible, and a host of incentives are in place to

attract foreign investors. Doubts persist, however, about the willingness of President Daniel arap Moi's government to tackle more fundamen-

Little progress has been made in the programme to pri-The prohibitive cost of credit has discouraged new invest-



vatise loss-making parastatals, largely due to the inertia of civil servants. Meanwhile, the services provided by parasta tals (telecommunications, electricity, water and the upkeep of roads) continues to deterio-President arap Moi has faced

an upsurge in social unrest in recent months, with doctors and university lecturers staging strikes to demand government recognition of their unof-ficial trade unions.

Both groups returned to work in September defeated. but the government's refusal to tolerate independent trade unions has drawn criticism from human rights groups and donor governments. Donors will be meeting in

assess the country's aid requirements for 1995. Aid pledges are expected to be substantially lower than the \$850m obtained last year.

late November to review Ken-

ya's economic progress and

partly because of continued concern over Kenya's human

## Honda to double Thai capacity

By Michlyo Nakamoto in Tokyo and Victor Mallet in Bangkok

Honda is investing more than Y10bn (\$100m) in a new car-making plant in Thailand, a move which will double its Thai capacity and may lead to the production of a small, popular car for Asia, the company announced yesterday. A ground-breaking ceremony for the new press-stamping factory near Ayutthaya, 70km north of Bangkok, is to take place next week.

The plant, which should be completed in early 1996, will incorporate research and development capability. according to the Japanese vehicle

The decision to double capacity reflects both the rapid growth of the Thai domestic market for cars and Thailand's campaign to become a regional automotive centre by welcoming foreign manufacturers with investment incentives.

"Thailand is one of the best poten-tial markets in Asia." Mr Tetsuyo Honda, a Honda executive in Bangkok, said yesterday. China, Indonesia, and India were also promising markets in the longer term, he said.

Honda in Thailand does not make the pick-up trucks which at present account for more than half the vehicles sold in the country. With only a 7.4 per cent share of the total That vehicle market, it lags behind the four dominant Japanese manufacturers: Toyota, Isuzu, Nissan and Mit-

But sales of Honda passenger cars most of them Civics and Accords assembled at an existing plant in Thailand, have surged 60 per cent in the first nine months of this year to reach 26,000 units, giving Honda a 23 per cent share of Thai passenger car market - second only to Toyota.

With increasing spending power and growing wealth in the population, the Thai passenger car market is expected to grow strongly to reach about 400,000 units by the end of the decade. Honda said. The market grew

to 174,000 units last year, although it has declined by 14 per cent in the first nine months of 1994.

"Currently the pick-up market is bigger than the passenger car mar-ket," said Mr Honda, "but the desire of mankind is for more speedy and more comfortable transport. This kind of desire is unlimited. This is the market trend."

Honda expects its expanded Thai manufacturing facility to be one of the recipients of vehicle components it will produce in China under a joint venture arrangement with a Chinese parts maker which it amounced last

Toyota of Japan is considering increasing vehicle production capacity at its Indonesian and Philippines units to an annual 150.000 and 50.000 vehicles respectively by 1997, Reuter reports from Tokyo.

Such a move would double its combined vehicle production in south-east Asian countries to an annual 520,000 in 1997, a spokesman said. In 1993, Toyota produced 24,799 vehicles in the Philippines, 51,535 in Indonesia, 114,752 in Thailand, 52,928 in Talwan and 13,488 in Malaysia. In February 1993, Toyota said its Thai unit Toyota Motor Thailand in Samrong, east Thailand, would invest about 9bn baht (\$360m) over the next four years to double car production capacity to 200,000 and set up a training centre for service

## Mitsubishi to launch Dutch-made hatchback

Motor Industry Correspondent

Mitsubishi Motors is to begin its first car production in Europe in the first half of next year at its joint venture plant in the Netherlands, Mr Hiroshi Ninomiya, president of Mitsu-bishi Motor Sales Europe, said

last night. The company aims to achieve production of up to 100,000 Mitsubishi cars a year by 1997 at the Nedcar plant, which it owns jointly with Volvo, the Swedish carmaker, and the Dutch government, each holding a one-third stake. The partners are investing F13.4bn (\$1.9bn) in the project to modernise the former Volvo

Car BV plant at Born in the Netherlands in order to create a total capacity to produce 200,000 cars a year, which will be shared equally by Mitsubishi and Volvo.

Mr Ninomiya disclosed in a speech at the Birmingham motor show that Mitsubishi would initially launch from the Dutch plant a five-door hatchback car, code-named MX, between its existing Mitsubishi Lancer and Galant ranges in size. It is expected to be followed later by a four-door saloon version, and possibly an estate car.

It will compete directly with rivals such as the Ford Mondeo and the Opel Vectra/Vauxhall Cavalier, as well as the Euro-

pean-built products of other Japanese carmakers such as the Nissan Primera and the Toyota Carina, both assembled

The new car will be unveiled at the Amsterdam motor show in January and will go on sale in continental European mar-kets from mid-1995 and in the UK from November next year. The Volvo version of the new range, which is expected even-tually to replace the current Dutch-built Volvo 400, will have a different exterior and interior styling and is expected to be unveiled in the autumn

next year. Mitsubishi is following the same strategy as its Japanese competitors by choosing the large family car sector of the European car market for its first locally-built products in Europe. Mr Ninomiya said the local European content of the new Mitsubishi range would exceed 85 per cent. Purchases from components

suppliers in Europe for the Mitsubishi car alone are expected to total more than Flibn a year by the time output reaches 100,000 cars a year, the company said yesterday. More than 150 suppliers have already been selected in Europe, including some local European subsidiaries of Japanese components groups, such as Calsonic in the UK, which will supply radiators and cooling systems.

Mitsubishi plans to import all its petrol engines (in 1.6 and 1.8 litre) and automatic gearboxes from Japan, but it is understood that it will buy a 1.9 litre diesel engine and all its manual gearboxes from Renault, the French carmaker. Mr Ninomiya said that Mit-

subishi had drawn heavily on the latest Japanese production technology to modernise the Dutch plant, organised along the lines of its Mizushima

plant in Japan. Mitsubishi said it planned initially to achieve around 20 hours per car assembly time at the Born plant, but this would be reduced later to 17 hours per car when full capacity was reached. It would take around

7 minutes to change the tools on the heavy stamping presses. The plant will include 305 robots.

Around half of the F13.4bn earmarked for the Nedcar project had been invested to date. Mr Nînomiya said Mitsubishi Motors, the third largest Japanese vehicle producer, was seeking a 5 per cent share of the global vehicle market by

To achieve this goal it was aiming to raise its share of the domestic Japanese market from 12 to 15 per cent, to increase its share of the Asian and Asean market from 20 to 25 per cent and to gain a 2 per cent share of the combined

## E Asia and EU may hold talks

By Guy de Jonquières,

The European Union and east Asian countries may hold a summit late next year at which government leaders would aim to forge closer economic and trade ties between the two regions, according to European Commission officials.

The EU also plans to renew attempts to establish a dialogue with the Asia Pacific conomic Co-operation forum, the five-year-old grouping which embraces the US, Canada. Mexico. Australia and New Zealand as well as Japan and 11 other Asian countries. The initiatives are intended

Europe and Asia, amid growing European fears of being the world's fastest-growing economic region. Until now, most of the run-

ning has been made by the Europeans. However, EU officials say the proposal for a summit is Asian-inspired and has been backed particularly Thailand. The proposal has yet during a visit to Paris this week by Mr Goh Chok Tong, Singapore's prime minister.
As president of the EU Council of Ministers in the first half of next year, France would be closely involved in preparing the ground for a summit. Germany, the current council president, has called for stronger EU links with Asia.

A senior European Commission official said yesterday that if the summit went ahead, participants would be likely to include government leaders from Japan, Taiwan and Korea, as well as from the six members of the Association of South East Asian Nations.

The official said the meeting deepen relations between informal event which would seek to encourage increased trade and investment between excluded from developments in Europe and Asia and closer co-operation between governments of the two regions in the new World Trade Organisation.

Talks with Asian leaders would also bolster European efforts to establish closer contacts with Apec, which is expected to agree a timetable strongly by Singapore and for trade liberalisation by its members at a summit meeting to be placed formally on the in Bogor, Indonesia, next WORLD TRADE NEWS DIGEST

## Cambodia plant for Heineken

Heineken, the Dutch brewer, is planning to build the first brewery majority-owned by foreign shareholders in Cambodia.
The brewery in Phonmh Penh will have an initial capacity of 170,000 hectolitres when completed in mid-1996 at a cost of \$25m. Cambodia's beer market was equal to 160,000hl in 1993 about 2 litres per capita - but is expected to grow to 270,000hl by the end of the decade. The capacity of the brewery could be gradually expanded to 500,000hl to meet demand. The country has only one brewery, Heineken said.

The Dutch beer group and its Singapore-based partners Fraser & Neave will own 80 per cent of the brewery, to be called Cambodia Brewery, through their existing joint venture Asia Pacific Breweries (APBL). The remainder will be owned by Progress Import and Export, the Cambodian importer of APBL's Tiger beer brand. The Cambodian brewery will produce Tiger beer as well as ABC Stout, another APBL brand. Ronald van de Krol, Amsterdam

## Greek casino licences awarded

Greece's tourism ministry has awarded four casino licences to international operators for a total of Dr13.2bn (\$55m) in fees and taxes. Hyatt Casinos, the gaming arm of the US-based Hyatt International hotel chain, in a joint venture with two Greek concerns, Theocharakis and the Laskarides shipping group, is to pay Dr7.8bn for a licence to build a casino at Thessaloniki in northern Greece. NOVID

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The group plans a \$120m investment on a greenfield site, including a luxury hotel and conference centre. Hyatt is also bidding against London Clubs, the UK casino operator, for another casino licence in the Athens area which will cost at least Dr10bn. Lady Luck of the US is to pay Dr3.05bn for licences to open casinos at Patras and Loutraki. The fourth licence, for Dribn, was awarded to Porto Carras Hotel owned by the Carras shipping family, in association with Magic, a US gaming concern which operates river-boat gambling on the Mississippi. The Greek government will take 30 per cent of the casinos' gross earnings, estimated at over Dr60bn yearly. The licences will be valid for 12 years. Kerin Hope, Athens

## Boost for Tunisian telecoms

Tunisia is planning to spend an average of \$200m a year on modernising its telecommunications system. Among projects under way or planned for the next few years are investments in telephone lines and exchanges, optic fibre links, a GSM (Groupe Special Mobile) standard digital mobile phone system and a rural phone system. Tunisia is already linked to the world's longest Optical Submarine communications system connecting south-east Asia, the Arabian peninsula and west ern Europe. It also invested \$3m in a submarine optic fibre cable linking it to eastern Europe, the Americas and South Africa. Reuter, Tunis

## Contracts and ventures

■ The Italian transport ministry has signed a L1,200bn (\$762m) contract to buy 30 high-speed Etr 500 trains from the Trevi consortium grouping ABB and Fiat. The purchases are within an option to buy 100 high-speed trains. *Reuter, Rome*South Korea's Daewoo Motor will export about 20,000 passenger cars to Romania's Automobile Criova next year in

preparation for the completion of a joint-venture factory in Romania. Daewoo Motor, the nation's third largest car maker, will export its Lemans, Cielo and Espero to the Romanian company Automobile Criova. AP-DJ, Seoul

■ The Saudi Public Transport Company has bought 200 new buses worth SR200m (\$53m). from The German private company Neoplan sold 100 buses and Mercedes-Benz another 100, all for December delivery. Reuter, Manama ■ US-based Raychem and Taiwan's Pacific Electric Wire and

Cable have signed contracts jointly to invest T\$320m (\$12m) in its plant in the northern Hsinchu Science Park, and begin production in the second half of 1995. Reuter, Toipei

■ Singapore Airlines is discussing joint venture possibilities with at least two Chinese airlines, the Sichuan-based China Southern Airlines and China Eastern Airlines, both of which are relatively new regional carriers. AFX, Singapore Hutchison Whampoa has formed a consortium with British

Airways and the Civil Aviation Administration of China to bid for an aircraft line and base maintenance contract at Hong Kong's new Chek Lap Kok airport. The new consortium. China Aircraft Services, is one of three bidders for a maintenance licence. Reuter, Hong Kong

Malaysia's Projek Penyelenggaran Lebuhraya (Propel) has

won a contract to build a \$350m expressway linking the Indonesian capital Jakarta to Surabaya. Reuter, Kuala Lumpur

## INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

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1967 1988	272.5	-100.2	-144.8 -108.3	1.1541 1.1833	70.3 66.0	197.3 219.8	86.1	75.3	166.58	133.2	254.3	56.7	39.8	20710	115.
989	330.2	-99.3	-83.3	1.1017	89.4	218,8	80.7 70.5	66.7 52.6	151,51 151,67	147.3 141.9	272.6	61.6	42.9	2.0739	114.
990	309.0	-79.3	-72.0	1.2745	65.1	220.0	50.1	28.3	183.94	126.0	310.2 324.4	65.4	52.3	2.0681	113. 119.
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rd qtr.1993 th qtr.1993	99.6 106.9	-27.5 -25.0	-24.3 -26.9	1.1443	65.4 66.4	79,1	32.2	28.2	120.89	183.7	81.1	5.9	-9.0	1.9180	123.
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October,	34.5	-9.0 -8.3	n.a.	1.1728 1.1597	64.7 85.5	25.9 24.8	10.7 9.8	9.5 8.9	123.63	181.8	27.4	1.9	-1.6	1.8996	128.1
(overnber	35.5	-8.8	n.a.	1.1282	66.6	24.6 25.2	9.5 9.5	8.9 8.8	124.03 121.86	180.4	27.8	3.3	-2.7	1.8985	128.
ecember	36.9	-6.9	n.a.	1.1287	67.0	25.7	a.or a.or	9.2	123.92	181.8 178.5	27.8	3.1	-0.9	1.9182	124.
anuary 1994	35.2	-9.7	T.A.	1,1139	67.5	27.1	11.3	11.2	124.03	177.0	27.3 26.8	3.3 3.1	-1.5	1.9306	123.1 122.1
ebruary	34.1	-10.8	n.a.	1.1184	66.7	26.9	11.3	10.1	118.77	185.2	28.3	3.1	-1.6 -2.3	1.9415 1.9397	121.
farch oril	37.5	-B.4	n.a.	1,141D	66.1	27.2	10.2	8.8	120,04	185.3	26.8	12	-2.3 -1, <del>9</del>	1,9299	123.2
lay	38.1 35.4	-10.6 -11,1	FLEL FLEL	1,1385 1,1622	66.0 65.3	27.6	11.3	10.9	117.79	188.6	29.1	4.6	-0.6	1.9335	122.0
une une	36.3	-11.0	n.a.	1.1908	64.6	28.1 28.0	9.6	8.6	120.67	186.2	30.1	3.0	-23	1.8265	123.5
kity	33.8	-12.0	T.A.	1.2187	63.0	28.8	10.8 11.1	10.0 9.9	121.06 120.00	186.8	30.6	3.6	0.2	1.9228	124.2
August			R.S.	1,2196	63.1	26.9	9.2	7.8	121.85	191.5 188.7			-7.0	1.9117	125.7 126.3
	■ FRAI	ICE				I ITAL	Y	_			E UNIT	En Ki	MCDO		
		· Visible	Correct socovel	Eco exchange	Stactive exchange		Vigible trade	Current	Eta eta	Ethethe axionge		ED KI	NGDO	if Eco	Ellipolist mehatak
<del> </del>	Esperta	Visitio tracio balatura	pocowsi polance	rate rate	exchange sale	Equita	Yigibie trade belasco	Account Balance	into expenses	exchange Trip	Epara	Visible trade butance		Ní .	Elifothia escherial
985	Experts 133.4	Visitie trade beleties	primos -0.2	exchange rate 6.7942	exchange sate	Esperta 103.7	Vielbie trade belance -16.0	-5.4	1443.0	100.0	Exports 132.4	Visible trade betance -5.7	Correct Strong belance 3.8	enthage rate 0.5890	100.0
985 986	Esporta	Visitio tracio balatura	pocowsi polance	rate rate	exchange sale	Esparta 103.7 99.4	Vielble trade belescon -16,0 -2,5	-5.4 -1,4	1443.0 1461.6	100.0 101.4	Exports 132.4 108.3	Visible trade between -5.7 -14.2	Correct seconds between 3.8 -1.3	0.5890 0.6708	100.0 91.6
985 986 987	133.4 127.1	Visitio tracio balitara -3.7	-0.2 3.0	6.7942 6.7946	100.0 102.8	Esperta 103.7	Vielbie trade belance -16.0	-5.4 -1.4 -2.1	1443.0 1461.6 1494.3	100.0 101.4 101.2	Exports 132.4 108.3 112.3	Viethic trade testence -5.7 -14.2 -16.4	Carrent account betance 3.8 -1.3 -7.1	0.5890 0.6708 0.7047	100.0 91.6 90.1
865 986 987 983 983	133.4 127.1 128.3 141.9 162.9	Value trade beleves -3.7 0.0 -4.6 -3.9 -6.3	-0.2 3.0 -3.7 -3.4 -3.6	6.7942 6.7946 6.9265 7.0354 7.0169	100.0 102.8 103.0	103.7 99.4 100.7	Vigible trade belance -16.0 -2.5 -7.5	-5.4 -1.4 -2.1 -8.0	1443.0 1461.6 1494.3 1636.8	100.0 101.4 101.2 97.8	132.4 108.3 112.3 120.9	75.7 -14.2 -16.4 -32.3	Corrent second between 3.8 -1.3 -7.1 -25.0	0.5890 0.6708 0.7047 0.6643	100.0 91.5 90.1 95.5
985 996 987 988 989 980	133.4 127.1 128.3 141.9 162.9 170.1	Value trade bullion -3.7 0.0 -4.6 -3.9 -6.3 -7.2	-0.2 3.0 -2.7 -3.4 -3.6 -7.2	6.7942 6.7946 6.9265 7,0354 7,0169 6.9202	100.0 102.8 103.0 100.8 99.8 104.8	Esparts 103.7 99.4 100.7 108.3 127.8 133.6	16.0 -2.5 -7.5 -8.9 -11.3 -9.3	-5.4 -1.4 -2.1 -8.0 -17.0 -18.0	1443.0 1461.6 1494.2 1636.8 1509.2	100.0 101.4 101.2	132.4 108.3 112.3 120.9 137.0	-5.7 -14.2 -16.4 -32.3 -36.7	3.8 -1.3 -7.1 -25.0 -33.5	0.5890 0.6708 0.7047 0.6643 0.8728	100.0 91.6 90.1 95.5 92.6
965 986 987 988 989 980 980	133.4 127.1 128.3 141.9 182.9 170.1 175.4	**************************************	-0.2 3.0 -3.7 -3.4 -3.6 -7.2 -4.9	6.7942 6.7946 6.9265 7.0354 7.0169 6.9202 6.9643	100.0 102.8 103.0 100.8 99.8 104.8 102.7	Esparia 103.7 99,4 100.7 108.3 127.8 133.6 137.0	Vielbie trade beleeze -16.0 -2.5 -7.5 -8.9 -11.3 -9.3 -10.5	-5.4 -1.4 -2.1 -8.0 -17.0 -18.0 -17.7	1443.0 1461.6 1494.3 1636.8	100.0 101.4 101.2 97.8 98.6	132.4 108.3 112.3 120.9 137.0 142.3	-5.7 -14.2 -16.4 -32.3 -36.7 -26.3	3.8 -1.3 -7.1 -25.0 -33.5 -26.6	0.5890 0.6708 0.7047 0.6643 0.6728 0.7150	100.0 91.6 90.1 95.5 92.6 91.3
985 936 937 989 989 980 980 981 981 982	133.4 127.1 128.3 141.9 162.9 170.1 175.4 182.6	Value trade belease -3.7 0.0 -4.6 -3.9 -6.3 -7.2 -4.2 4.5	-0.2 3.0 -3.7 -3.4 -3.6 -7.2 -4.9 2.9	6.7942 6.7946 6.9265 7.0354 7.0169 6.9202 6.9643 6.8420	100.0 102.8 103.0 100.8 99.8 104.8 102.7 106.0	Equate 103.7 99.4 100.7 108.3 127.8 133.6 137.0 137.9	Yelbin trade belence -16.0 -2.5 -7.5 -8.9 -11.3 -9.3 -10.5 -8.0	-5.4 -1.4 -2.1 -8.0 -17.0 -18.0 -17.7 -20.6	1443.0 1461.6 1494.3 1636.8 1509.2 1523.2 1531.3 1591.5	100.0 101.4 101.2 97.8 98.6 100.6	132.4 108.3 112.3 120.9 137.0 142.3 147.7	-5.7 -14.2 -16.4 -36.7 -26.3 -14.7	3.8 -1.3 -7.1 -25.0 -33.5 -26.6 -11.7	0.5890 0.6708 0.7047 0.6643 0.8728 0.7150 0.7002	100.0 91.6 90.1 95.5 92.6 91.3 91.7
985 986 987 988 989 980 987 982 983	133.4 127.1 128.3 141.9 162.9 170.1 175.4 182.6 179.4	Visition trade believes -3.7 0.0 -4.6 -3.9 -6.3 -7.2 -4.2 4.5 13.5	-0.2 3.0 -3.7 -3.4 -3.6 -7.2 -4.9	6.7942 6.7946 6.9265 7.0354 7.0169 6.9202 6.9643	100.0 102.8 103.0 100.8 99.8 104.8 102.7 108.0 108.3	Esparia 103.7 99,4 100.7 108.3 127.8 133.6 137.0	Vielbie trade beleeze -16.0 -2.5 -7.5 -8.9 -11.3 -9.3 -10.5	-5.4 -1.4 -2.1 -8.0 -17.0 -18.0 -17.7	1443.0 1441.6 1494.2 1636.8 1509.2 1523.2 1531.3	100.0 101.4 101.2 97.8 98.6 100.6 98.9	132.4 108.3 112.3 120.9 137.0 142.3	-5.7 -14.2 -16.4 -32.3 -36.7 -26.3	3.8 -1.3 -7.1 -25.0 -33.5 -26.6	0.5890 0.6708 0.7047 0.6643 0.6728 0.7150	100.0 91.6 90.1 95.5 92.6 91.3
985 986 987 989 980 990 991 582 983	153.4 127.1 128.3 141.9 162.9 170.1 175.4 182.6 179.4	**************************************	-0.2 3.0 -3.7 -3.4 -3.6 -7.2 -4.9 2.9 8.9	6.7942 6.7946 6.9285 7.0354 7.0169 6.9202 6.9643 8.8420 8.6281 6.6508	100.0 102.8 103.0 100.8 99.8 104.8 102.7 106.0 108.3	103.7 99.4 100.7 108.3 127.8 133.6 137.0 137.9 144.3	71600 -2.5 -7.5 -8.9 -11.3 -9.3 -10.5 -8.0 17.9	-5.4 -1.4 -2.1 -8.0 -17.0 -18.0 -17.7 -20.6 9.8	1443.0 1481.6 1494.3 1536.8 1509.2 1523.2 1531.3 1591.5 1836.7	100.0 101.4 101.2 97.8 98.6 100.6 98.9 95.7 79.6	132.4 108.3 112.3 120.9 137.0 142.3 147.7 145.9	-5.7 -14.2 -16.4 -32.3 -36.7 -26.3 -14.7 -17.8	3.8 -1.3 -7.1 -25.0 -33.5 -26.6 -11.7 -13.4 -13.3	0.5890 0.6708 0.7047 0.6643 0.7150 0.7002 0.7359 0.7780	100.0 91.5 90.1 95.5 92.6 91.3 91.7 88.4
985 986 987 988 980 991 982 983 ard qtr.1983 sth qtr.1983	133.4 127.1 128.3 141.9 162.9 170.1 175.4 182.6 179.4	**************************************	-0.2 3.0 -3.7 -3.4 -3.6 -7.2 -4.9 2.9 8.9	6.7942 6.7946 6.7946 6.9265 7.0354 7.0169 8.9202 6.9643 8.8420 8.6281 6.8508 8.8431	100.0 102.8 103.0 100.8 59.8 104.8 104.7 106.0 108.3	Equate 103.7 193.4 100.7 108.3 127.9 137.9 144.3 34.8 38.9	Visible trade believe -16.0 -2.5 -8.9 -11.3 -9.3 -10.5 -8.0 17.9 6.2 8.7	-5.4 -1.4 -2.1 -8.0 -17.0 -18.0 -17.7 -20.6 9.8 3.3 5.6	1443.0 1461.6 1494.3 1536.8 1509.2 1523.2 1531.3 1591.5 1836.7	100.0 101.4 101.2 97.8 98.6 100.6 98.9 95.7 79.6 78.8 77.0	132.4 108.3 112.3 120.9 137.0 142.3 147.7 145.9 156.1	-5.7 -14.2 -16.4 -32.3 -36.7 -26.3 -14.7 -17.0	3.8 -1.3 -7.1 -25.0 -33.5 -26.6 -11.7 -13.4 -13.3	550 cochage nite 0.5890 0.6708 0.7047 0.6643 0.6728 0.7150 0.7022 0.7359 0.7780	100.0 91.6 90.1 95.5 92.6 91.3 91.7 88.4
965 986 987 989 980 981 982 rd qtr.1853 dt qtr.1963 st qtr.1963	153.4 127.1 128.3 141.9 162.9 170.1 175.4 182.6 179.4	**************************************	-0.2 3.0 -3.7 -3.4 -3.6 -7.2 -4.9 2.9 8.9	6.7942 6.7946 6.9285 7.0354 7.0169 6.9202 6.9643 8.8420 8.6281 6.6508	100.0 102.8 103.0 100.8 99.8 104.3 106.0 108.3	103.7 99.4 100.7 108.3 127.8 133.6 137.0 137.9 144.3	71600 -2.5 -7.5 -8.9 -11.3 -9.3 -10.5 -8.0 17.9	-5.4 -1.4 -2.1 -8.0 -17.0 -18.0 -17.7 -20.6 9.8	1443.0 1481.6 1494.3 1636.8 1509.2 1523.2 1531.3 1591.5 1838.7	100.0 101.4 101.2 97.8 98.6 100.6 98.9 95.7 79.6 78.8 77.0 76.2	132.4 108.3 112.3 120.9 137.0 142.3 147.7 145.9 156.1	-5.7 -14.2 -16.4 -32.3 -36.7 -26.3 -14.7 -17.8 -4.1 -4.4	3.8 -1.3 -7.1 -25.0 -33.5 -26.6 -11.7 -13.4 -2.5 -2.5 -2.5 -2.5 -1.7	650 criss of the c	100.0 91.5 90.1 95.5 92.6 91.3 97.7 98.4 80.2 81.0 81.1 81.3
985 986 987 983 980 991 982 983 rd qtr.1993 st qtr.1994 nd qtr.1994	133.4 127.1 128.3 141.9 182.9 170.1 175.4 182.6 179.4 45.1 46.0 46.3 48.6	**************************************	-0.2 3.0 -0.7 -3.4 -3.6 -7.2 -4.9 2.9 8.9 3.4 3.0 5.5	6.7942 6.7946 6.7946 6.9265 7.0354 7.0169 6.9202 6.9643 6.8420 6.6281 6.6508 8.6431 6.5587	100.0 102.8 103.0 100.8 99.8 104.8 102.7 108.3 108.4 107.3 108.0 108.0	Epons 103.7 99.4 200.7 108.3 127.8 133.6 137.0 137.9 144.3 34.8 38.9 37.5	Vable tade balance -16.0 -2.5 -7.5 -8.9 -11.3 -9.3 -10.5 -8.0 17.9 6.2 8.7 3.4	-5.4 -1.4 -2.1 -8.0 -17.0 -17.7 -20.6 9.8 3.3 5.5 1.1	1443.0 1494.3 1636.8 1509.2 1523.3 1591.5 1838.7 1813.0 1879.8 1882.8 1861.2	100.0 101.4 101.2 97.8 98.8 100.6 98.9 95.7 79.6 78.8 77.0 76.2 77.8	132.4 108.3 112.3 120.9 137.0 142.3 147.7 145.9 156.1 40.2 40.8 42.3 43.0	-5.7 -14.2 -16.4 -32.3 -36.7 -26.3 -14.7 -17.8 -17.0	3.8 -1.3 -7.1 -25.0 -33.5 -26.6 -11.7 -13.4 -13.3 -2.5 -2.8	0.5890 0.6708 0.7047 0.6643 0.7150 0.7052 0.7359 0.7780 0.7605 0.7605	100.0 91.5 90.1 95.5 92.6 91.3 91.7 88.4 80.2 81.0 81.3 80.0
985 986 987 989 980 990 991 552 983 rd qtr.1993 st qtr.1994 and qtr.1994	133.4 127.1 128.3 141.9 162.9 170.1 175.4 182.6 179.4 45.1 46.0 46.3	**************************************	-0.2 3.0 -0.7 -3.4 -3.6 -7.2 -4.9 2.9 8.9 3.4 3.0 0.5	6.7942 6.7946 6.7946 6.9285 7.0354 7.0162 6.9643 6.8420 6.6281 6.6508 6.6431 6.6508 6.6431 6.6508	100.0 102.8 103.0 100.8 104.8 104.8 102.7 106.0 106.3 106.0 106.0 106.0	Equita 103.7 99.A 100.7 108.3 127.8 133.6 137.9 144.3 34.8 38.9 37.5	Vable tade balance -16.0 -2.5 -8.9 -11.3 -9.3 -10.5 -8.0 17.9 6.2 8.7 3.4	-5.4 -1.4 -2.1 -8.0 -17.7 -20.6 9.8 3.3 5.5 1.1	1443.0 1443.0 1451.6 1494.3 1536.8 1509.2 1523.2 1531.3 1591.5 1838.7 1813.0 1878.8 1862.8 1861.2	100.0 101.4 101.2 97.8 98.6 100.6 98.9 95.7 79.8 77.0 76.2 77.8	132.4 108.3 112.3 12.3 137.0 142.3 147.7 145.9 156.1 40.2 40.8 42.3 43.0	-5.7 -14.2 -16.4 -32.3 -36.7 -26.3 -14.7 -17.8 -4.1 -4.0 -3.1	3.8 -1.3 -7.1 -25.0 -33.5 -26.6 -11.7 -13.4 -2.5 -2.5 -2.5 -2.5 -1.7	650 c.	100.0 91.6 90.1 95.5 92.6 91.3 91.7 88.4 80.2 81.0 81.3 80.0
985 996 987 989 980 991 991 992 983 rd qtr.1993 st qtr.1994 deptember 1993 ktobber	133.4 127.1 128.3 1419.9 162.9 170.1 175.4 182.6 179.4 45.1 46.0 46.3 48.6	**************************************	-0.2 3.0 -3.7 -3.6 -7.2 -4.9 2.9 8.9 3.4 3.0 3.4 0.5	6.7942 6.7948 6.2285 7.0169 6.9202 6.9643 6.8420 6.8281 6.8508 6.8431 6.8508 6.8431 6.8508 6.8431 6.8508	100.0 102.8 103.0 103.0 100.8 99.8 104.8 102.7 106.0 108.3 106.4 107.3 108.0 108.0	Epons 103.7 89.A 100.7 108.3 127.8 133.6 137.9 144.3 34.8 38.9 37.5	Value trade believe - 16.0 - 2.5 - 8.9 - 11.3 - 9.3 - 10.5 - 8.0 17.9 6.2 6.7 3.4	-5.4 -1.4 -2.1 -8.0 -17.0 -18.0 -17.7 -20.6 9.8 3.3 5.5 1.1	1443.0 1443.0 1494.3 16368.2 1523.2 1531.3 1591.3 1838.7 1813.0 1879.8 1892.8 1861.2 1838.0	100.0 101.4 101.2 97.8 98.6 100.6 98.7 79.6 77.0 76.9 77.8 78.9 78.9	132.4 108.3 112.3 120.9 137.0 142.3 147.7 145.9 156.1 40.8 42.3 43.0	**************************************	3.8 -1.3 -7.1 -25.0 -31.6 -11.7 -13.4 -13.4 -2.5 -2.8 -1.7 -0.9	550 mile 10.55890 0.6708 0.7047 0.6643 0.7128 0.7160 0.7160 0.7002 0.7359 0.77605 0.7605 0.7635 0.7554 0.7716	100.0 91.6 90.1 95.5 92.6 91.3 97.7 88.4 80.2 81.0 81.3 80.0
985 986 987 983 980 990 991 982 983 983 983 983 984 qtr.1993 98 qtr.1994 10 qtr.1994 10 qtr.1994 10 qtr.1994 10 qtr.1994	133.4 127.1 128.3 141.9 162.9 170.1 172.4 182.6 179.4 45.1 46.0 46.3 48.6	**************************************	-0.2 3.0 -3.7 -3.4 -3.6 -7.2 -4.9 2.9 8.9 3.4 3.0 3.4 0.5	6.7942 6.7946 6.9285 7.0354 7.0169 6.9202 6.9643 6.8420 6.6281 6.8508 6.6281 6.5881 6.5881 6.5883 6.6637	100.0 102.8 103.0 102.8 103.0 100.8 104.8 102.7 106.0 106.4 107.3 108.0 106.0 106.9 106.9	Equate 103.7 99.4 100.7 100.3 127.8 133.6 137.9 144.3 34.8 38.9 37.5 12.7 13.2 12.8	Value tests believe - 16.0 - 2.5 - 7.5 - 8.9 - 11.3 - 9.3 - 10.5 - 8.0 17.9 6.2 8.7 3.4 1.5 - 8.1 1.2 2.4 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5	-5.4 -1.4 -2.1 -8.0 -17.0 -18.0 -17.7 -20.6 9.8 3.3 5.5 1.1	1443.0 1443.0 1491.6 1494.3 16368.2 1523.2 1523.2 1531.3 1591.5 1836.7 1813.0 1879.8 1882.8 1861.2 1838.9 1880.7	100.0 101.4 101.2 97.8 98.6 100.6 98.9 95.7 79.6 78.2 77.8 78.9 78.2 77.0	132.4 108.3 112.3 120.9 137.0 142.3 147.7 145.9 156.1 40.2 40.8 42.3 43.0	Mabbio bada 158-00-0-0-0-0-0-0-0-0-0-0-0-0-0-0-0-0-0-	3.8 -1.3 -7.1 -25.0 -33.5 -26.6 -11.7 -13.4 -13.3 -2.5 -2.8 -1.7 -0.9	0.5890 0.6708 0.7047 0.6643 0.6728 0.7150 0.7002 0.7359 0.77805 0.7695 0.7695 0.7695 0.7695 0.7716	100.0 91.6 90.1 95.5 92.6 91.3 91.7 88.4 80.2 81.1 81.3 80.0 80.8 81.0
985 936 987 988 990 991 952 983 rd qtr.1993 rd qtr.1994 nd qtr.1994 leptember 1993 leptember	133.4 127.1 128.3 141.9 182.9 170.1 175.4 182.6 179.4 45.1 46.0 46.3 48.6	**************************************	-0.2 3.0 -3.7 -3.6 -7.2 -4.9 2.9 8.9 3.4 3.0 3.4 0.5	6.7942 6.7948 6.2285 7.0169 6.9202 6.9643 6.8420 6.8281 6.8508 6.8431 6.8508 6.8431 6.8508 6.8431 6.8508	100.0 102.8 103.0 103.0 100.8 99.8 104.8 102.7 106.0 108.3 106.4 107.3 108.0 108.0	Epons 103.7 89.A 100.7 108.3 127.8 133.6 137.9 144.3 34.8 38.9 37.5	Value trade believe - 16.0 - 2.5 - 8.9 - 11.3 - 9.3 - 10.5 - 8.0 17.9 6.2 6.7 3.4	-5.4 -1.4 -2.1 -8.0 -17.0 -18.0 -17.7 -20.6 9.8 3.3 5.5 1.1	1443.0 1443.0 1494.3 16368.2 1523.2 1531.3 1591.3 1838.7 1813.0 1879.8 1892.8 1861.2 1838.0	100.0 101.4 101.2 97.8 98.6 100.6 98.9 95.7 79.6 78.8 77.0 76.2 77.8 78.9 78.2 77.6	132.4 108.3 112.3 120.9 137.0 142.3 147.7 145.9 156.1 40.2 40.8 42.3 43.0	**************************************	Commit Second Inflance 3.8 -1.3 -7.1 -25.5 -26.6 -11.7 -13.4 -13.3 -2.5 -2.8 -1.7 -0.9 -1.8 -1.8 -1.8 -1.8 -1.8 -1.8 -1.8 -1.8	0.5896 0.7780 0.7047 0.6708 0.7047 0.6643 0.7150 0.7059 0.7359 0.7359 0.7605 0.7605 0.7605 0.7605 0.7716	100.0 91.6 90.1 95.5 92.6 91.3 91.7 88.4 80.2 81.1 81.3 80.6 81.4 81.7
985 986 987 989 989 990 991 983 rd qtr.1983 st qtr.1994 sptamber 1993 ktober (ovember speamber sprambe	133.4 127.1 128.3 141.9 162.9 170.1 175.4 182.6 179.4 45.1 46.0 46.3 48.6 15.4 15.9 15.9 15.9 15.9	**************************************	30 -0.2 3.0 -0.7 -3.4 -3.5 -1.04 0.55 1.84 2.35 -0.29	6.7942 6.7946 6.9285 7.0354 6.9202 6.9643 6.8420 6.8508 6.8431 6.8508 6.5881 6.5863 6.6831 8.6455 6.6631	100.0 102.8 103.0 103.8 99.8 104.8 106.0 108.3 108.4 107.0 108.0 108.0 106.9 106.9 106.9	Equita 103.7 89.A 100.7 108.3 127.8 133.6 137.9 144.3 34.8 38.9 37.5	Vigitin trade belance -16.0 -2.5 -7.5 -8.9 -11.3 -9.3 -10.5 -8.0 17.9 6.2 8.7 3.4 1.5 6.2 7.7 3.2 7.7	-5.4 -1.4 -2.1 -8.0 -17.0 -18.7 -20.6 9.8 3.3 5.5 1.1	1443.0 1491.6 1494.3 1636.8 1509.2 1523.2 1523.2 1531.3 1591.5 1838.7 1872.8 1882.8 1861.2 1838.0 1854.9 1854.9 1854.9	100.0 101.4 101.2 97.8 98.6 100.6 100.6 78.9 98.7 79.8 77.0 76.2 77.0 76.2 77.0 76.2 77.0 76.2 77.0	132.4 108.3 112.3 120.9 137.0 142.3 147.9 156.1 40.8 42.3 43.0 13.6 13.6 13.6 13.6 13.6	-5.7 -14.2 -16.4 -32.3 -36.3 -14.7 -17.8 -4.1 -4.4 -4.0 -3.1 -1.8 -1.1,5 -1.3	3.8 -1.3 -7.1 -25.0 -33.5 -26.6 -11.7 -13.4 -13.3 -2.8 -1.7 -0.9 -1.8 -1.8 -1.8 -1.8	650 mile 0.5890 0.67047 0.6643 0.7747 0.7750 0.7750 0.77605 0.7754 0.7712 0.7665 0.7712 0.7625 0.7712 0.7625 0.7635 0.7712 0.7625 0.7635 0.7655 0.7655 0.7655 0.7655 0.7655 0.7655 0.7655 0.7655 0.7655 0.7655 0.7655 0.7655 0.7655 0.765	100.0 91.5 90.1 95.5 92.6 91.3 91.3 80.2 81.1 81.3 80.0 80.4 81.7 82.4
985 986 987 988 989 990 991 991 992 983 rd qtr.1993 rd qtr.1994 eptember 1993 ktober (ovember snuary 1994 ebbrusry 1994 elember	133.4 127.1 128.3 141.9 162.9 170.1 172.6 179.4 45.1 46.0 46.3 48.6 15.4 15.9 15.1 15.9 15.2 15.1	**************************************	-0.2 3.0 -0.7 -3.6 -7.2 -4.9 8.9 3.4 3.0 0.5 1.04 0.68 0.32 1.84 2.36 -0.29	6.7942 6.7946 6.9264 7.0354 7.0354 7.0369 6.9643 6.8420 6.6281 6.5881 6.5881 6.58631 6.66331 6.66331 6.6625 6.5625 6.5965	100.0 102.8 103.0 103.0 100.8 99.8 104.8 102.7 106.0 106.3 106.4 107.3 108.0 106.9 106.8 106.8 106.8	103.7 89.4 100.7 108.3 127.8 133.6 137.9 144.3 34.8 38.9 37.5	Value trade believe16.0 -2.5 -7.5 -8.9 -11.3 -9.3 -10.5 -8.0 17.9 6.2 6.7 3.4 1.5 2.4 1.5 2.7 0.1	-5.4 -1.4 -2.1 -8.0 -17.9 -18.0 -17.7 -20.6 9.8 3.3 5.5 1.1	1443.0 1441.6 1494.3 1636.8 1509.2 1531.3 1591.5 1838.7 1813.0 1852.8 1862.8 1863.0 1884.9 1884.9 1880.7 1902.5	100.0 101.4 101.2 97.8 98.6 100.6 79.8 98.9 95.7 79.6 77.8 78.9 78.9 78.9 78.9 76.2 77.8 76.1 76.1 76.1	132.4 108.3 112.3 120.9 137.0 142.3 147.7 145.9 156.1 40.2 40.8 42.3 43.0 13.6 13.6 14.3	**************************************	Observation of the content of the co	550 miles of the control of the cont	100.0 91.5 90.1 95.5 92.6 91.3 97.7 88.4 80.2 81.0 81.0 81.7 82.4 81.0
985 987 987 988 989 990 991 983 rd qtr.1993 st qtr.1994 eptember 1993 chabber evermber sruary 1994 ebrusry larch pfi	133.4 127.1 128.3 141.9 162.9 170.1 175.4 182.6 179.4 45.1 46.0 46.3 48.6 15.4 15.9 15.9 15.9 15.9 15.8	**************************************	3.0 -0.2 3.0 -3.5 -7.2 -4.9 2.9 8.9 3.4 0.5 1.04 0.32 1.86 0.32 1.86 0.32 1.86 0.42	6.7942 6.7946 6.9265 7.0354 7.0169 6.9202 6.9242 6.8420 6.6251 6.6531 6.6631 6.6631 6.6635 6.6635 6.5905 6.5905 6.5905	100.0 102.8 103.0 103.0 109.8 104.8 102.7 106.0 106.3 106.4 107.3 108.0 106.9 106.9 107.9 107.9 107.6 108.3	24.5 103.7 103.7 100.7 108.3 127.8 133.6 137.9 144.3 34.9 38.9 37.5 12.7 13.2 12.8 10.2 12.8 10.2 12.8 10.2 12.8 10.2 12.8 10.2 12.8 10.2 12.8 10.2 12.8 10.2 12.8 10.2 10.2 10.2 10.2 10.2 10.3 10.2 10.2 10.2 10.2 10.2 10.2 10.2 10.2	1-24 1.6 1.6 1.6 1.6 1.6 1.6 1.6 1.7	-5.4 -1.4 -2.1 -8.0 -17.9 -18.0 -17.7 -20.6 9.8 3.3 5.6 1.1 -0.7 2.2 1.7 1.7 1.9 -1.0	1443.0 1441.6 1494.3 1636.8 1509.2 1531.3 1591.5 1836.7 1813.0 1852.8 1861.2 1838.0 1854.9 1862.5 1863.9 1961.1	100.0 101.4 101.2 97.8 98.6 100.6 100.6 78.9 98.7 79.8 77.0 76.2 77.0 76.2 77.0 76.2 77.0 76.2 77.0	132.4 108.3 112.3 120.9 137.0 142.3 147.7 145.9 156.1 40.2 40.8 42.3 43.0 13.6 13.6 14.3 14.1 14.3	-5.7 -14.2 -16.4 -32.3 -26.3 -14.7 -17.8 -17.8 -4.1 -4.0 -3.1 -1.8 -1.7 -1.3 -1.7 -1.8	Commit Second Inflance 3.8 -1.3 -7.1 -25.0 -26.6 -11.7 -13.4 -13.3 -2.5 -2.8 -1.7 -0.9 -1.8 -1.8 -1.8 -1.8 -1.8 -1.8 -1.8 -1.8	0.5890 0.6708 0.7047 0.6643 0.7759 0.7150 0.7022 0.7359 0.7780 0.7605 0.7695 0.7712 0.7685 0.7712 0.7685 0.7712 0.7685 0.7712 0.7685	100.0 91.5 90.1 95.5 92.6 91.3 91.3 81.0 81.0 81.0 81.0 81.0 81.7 82.4 81.0
985 986 967 988 980 991 991 983 983 70 qtr.1983 91 qtr.1994 eptember 1993 eptember 1994 eptember 1994 eptember 1994 eptember 1994 eptember 1994 eptember 1994 eptember 1994 eptember 1994 eptember 1994 eptember 1994	133.4 127.1 128.3 141.9 162.9 170.1 175.4 182.6 179.4 45.1 46.0 46.3 48.6 15.4 15.9 15.1 15.9 15.1 15.9 15.8 16.8	**************************************	30 -0.7 -3.4 -3.5 -7.2 -4.9 8.9 3.4 3.0 0.5 1.04 0.52 1.84 2.35 0.32 1.86 0.42 0.17	6.7942 6.7948 6.9264 7.0354 7.0169 6.9643 6.8420 6.6281 6.6581 6.5881 6.6637 6.6637 6.6637 6.5956 6.5958 6.5958 6.5957 8.5957	100.0 102.8 103.0 102.8 103.0 104.3 104.3 106.0 106.3 106.4 107.0 106.0 106.9 106.9 107.6 108.3 107.6 108.3	Equate 103.7 89.4 100.7 108.3 127.8 133.6 137.9 144.3 38.9 37.5 12.7 13.2 12.8 12.8 12.8 14.5	Vigitia trade belance -18.0 -2.5 -7.5 -8.9 -11.3 -9.3 -10.5 -8.0 17.9 6.2 8.7 3.4 1.9 2.7 0.1 1.6 1.7	-5.4 -1.4 -2.1 -8.0 -17.0 -18.7 -20.6 9.8 3.3 5.5 1.1	1443.0 1491.6 1494.3 1636.8 1509.2 1523.2 1523.2 1531.5 1838.7 1813.0 1879.8 1862.8 1861.2 1838.0 1854.9 1880.7 1903.8 1692.5 1882.9	100.0 101.4 101.2 97.8 98.6 100.6 98.9 95.7 79.6 78.9 78.9 78.9 78.9 76.1 76.1 76.2 77.0	132.4 108.3 112.3 12.3 137.0 142.3 147.9 156.1 40.2 40.8 42.3 43.0 13.6 13.6 13.6 14.3 14.1 13.9 14.5	-5.7 -14.2 -16.4 -32.3 -26.3 -14.7 -17.8 -4.1 -4.4 -4.0 -3.1 -1.5 -1.7 -1.3 -1.1 -1.6 -0.8	3.8 -1.3 -7.1 -25.0 -33.5 -26.6 -11.7 -13.4 -13.3 -2.8 -1.7 -0.9  n.a. n.a. n.a. n.a. n.a.	0.5898 0.7047 0.6708 0.7747 0.6643 0.7750 0.7059 0.7359 0.7605 0.7605 0.7605 0.7712 0.7620 0.7712 0.7620 0.7573	100,0 91,5 92,6 91,7 88,4 80,2 81,0 81,3 80,4 81,0 81,7 82,4 81,0 80,0
985 986 987 989 980 990 991 552 983 rd qtr.1993 st qtr.1994 and qtr.1994 leptember 1993 leptember armary 1994 eleptember armary 1994 eleptember armary 1994 eleptember leptember	133.4 127.1 128.3 141.9 162.9 170.1 172.6 179.4 45.1 46.0 46.3 48.6 15.4 15.9 15.1 15.9 15.1 15.9 15.8 16.8 16.8	**************************************	-0.2 3.0 -0.7 -3.6 -7.2 -4.9 8.9 3.4 3.0 3.4 0.5 1.04 0.68 0.32 1.84 2.36 -0.29 0.42 0.42	6.7942 6.7946 6.9264 7.0354 7.0354 7.0369 6.9643 6.8420 6.8508 8.6421 6.8508 6.5881 6.5881 6.6637 6.6637 6.6625 6.5965 6.5782 6.5782 6.5782 6.5782	100.0 102.8 103.0 102.8 103.0 104.8 106.0 106.0 106.0 106.0 107.0 106.9 107.0 106.8 107.0 107.0 106.3 107.0 106.8 107.0 106.8	24.5 103.7 103.7 100.7 108.3 127.8 133.6 137.9 144.3 34.9 38.9 37.5 12.7 13.2 12.8 10.2 12.8 10.2 12.8 10.2 12.8 10.2 12.8 10.2 12.8 10.2 12.8 10.2 12.8 10.2 12.8 10.2 10.2 10.2 10.2 10.2 10.3 10.2 10.2 10.2 10.2 10.2 10.2 10.2 10.2	1-24 1.6 1.6 1.6 1.6 1.6 1.6 1.6 1.7	-5.4 -1.4 -2.1 -8.0 -17.9 -18.0 -17.7 -20.6 9.8 3.3 5.6 1.1 -0.7 2.2 1.7 1.7 1.9 -1.0	1443.0 1491.6 1494.3 1636.8 1509.2 1523.3 1591.5 1838.7 1813.0 1879.8 1861.2 1838.0 1850.3 1890.5 1850.1 1850.9 1850.9 1850.9 1850.9	100.0 101.4 101.2 97.8 98.6 100.6 100.6 78.9 98.7 77.0 76.2 76.2 76.2 76.2 76.2 76.2 76.2 76.2	132.4 108.3 112.3 120.9 137.0 142.3 147.7 145.9 156.1 40.2 40.8 42.3 43.0 13.3 13.6 14.3 14.1 13.9 14.5 14.1	**************************************	Corrent Second Inflamore 3.8 -1.3 -7.1 -25.0 -26.6 -11.7 -13.4 -13.3 -2.5 -2.8 -1.7 -0.9 -1.8 -1.8 -1.8 -1.8 -1.8 -1.8 -1.8 -1.8	0.5890 0.6708 0.7047 0.6643 0.6728 0.7120 0.7120 0.7002 0.7359 0.7655 0.7655 0.7654 0.7716 0.7685 0.7716 0.7685 0.7757 0.7685 0.7757 0.7685 0.7757 0.7685 0.7757	80.0 90.1 90.1 95.5 92.3 97.7 88.2 80.2 81.3 80.4 81.4 81.7 82.4 81.9 81.7 82.8 83.8 83.8
985 1986 1987 1983 1980 1991 1982 1983 186 qtr.1993 186 qtr.1994 186 q	133.4 127.1 128.3 141.9 162.9 170.1 175.4 182.6 179.4 45.1 46.0 46.3 48.6 15.4 15.9 15.1 15.9 15.1 15.9 15.8 16.8	**************************************	30 -0.7 -3.4 -3.5 -7.2 -4.9 8.9 3.4 3.0 0.5 1.04 0.52 1.84 2.35 0.32 1.86 0.42 0.17	6.7942 6.7948 6.9264 7.0354 7.0169 6.9643 6.8420 6.6281 6.6581 6.5881 6.6637 6.6637 6.6637 6.5956 6.5958 6.5958 6.5957 8.5957	100.0 102.8 103.0 102.8 103.0 104.3 104.3 106.0 106.3 106.4 107.0 106.0 106.9 106.9 107.6 108.3 107.6 108.3	24.5 103.7 103.7 100.7 108.3 127.8 133.6 137.9 144.3 34.9 38.9 37.5 12.7 13.2 12.8 10.2 12.8 10.2 12.8 10.2 12.8 10.2 12.8 10.2 12.8 10.2 12.8 10.2 12.8 10.2 12.8 10.2 10.2 10.2 10.2 10.2 10.3 10.2 10.2 10.2 10.2 10.2 10.2 10.2 10.2	1-24 1.6 1.6 1.6 1.6 1.6 1.6 1.6 1.7	-5.4 -1.4 -2.1 -8.0 -17.9 -18.0 -17.7 -20.6 9.8 3.3 5.6 1.1 -0.7 2.2 1.7 1.7 1.9 -1.0	1443.0 1491.6 1494.3 1636.8 1509.2 1523.3 1591.5 1838.7 1813.9 1879.8 1892.8 1892.8 1880.7 1903.8 1692.9 1880.9 1880.9 1880.9 1880.9 1880.9 1880.9 1880.9 1880.9 1880.9	100.0 101.4 101.2 97.8 98.6 100.6 79.9 95.7 79.6 78.9 77.0 76.2 77.8 78.9 78.9 78.9 78.9 78.9 78.9 78.9	132.4 108.3 112.3 12.3 137.0 142.3 147.9 156.1 40.2 40.8 42.3 43.0 13.6 13.6 13.6 14.3 14.1 13.9 14.5	-5.7 -14.2 -16.4 -32.3 -26.3 -14.7 -17.8 -4.1 -4.4 -4.0 -3.1 -1.5 -1.7 -1.3 -1.1 -1.6 -0.8	3.8 -1.3 -7.1 -25.0 -33.5 -26.6 -11.7 -13.4 -13.3 -2.8 -1.7 -0.9  n.a. n.a. n.a. n.a. n.a.	0.5898 0.7047 0.6708 0.7747 0.6643 0.7750 0.7059 0.7359 0.7605 0.7605 0.7605 0.7712 0.7620 0.7712 0.7620 0.7573	100,0 91,5 92,6 91,7 88,4 80,2 81,0 81,3 80,4 81,0 81,7 82,4 81,0 80,0

Due to the introduction of the Single Market, EC countries are currently changing to a new system of compling trade statistics. All trade figures are seasonally adjusted, except for the balance and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB fires on board; basis, except for German and Italian imports which use the CIF method packating carriage, traurance and freight charges). German data up to and including June 1990, shown in tables, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by

## RANDGOLD

Gold mining companies' reports for the quarter ended 30 September 1994

<b>lining</b>		Harmony Gold Min	ma comit	ацу
JAES		-	JARY SHARES	
Counter 30-9-1984	ended 30-6-1994	OPERATING RESULTS		er ended 30-6-1994
		Underground operations	4 224	
		Gold produced - kg	6 149	1 579 6 229
	6.00	Yield - git	121	3.31
44 758		Cost = P/list		40 847 38 489
46 301 3 545		Working profit - P/leg	3 005	2 356
		- Revenue - Rit milied	139.10	135.27
272.55	269.89	Working graft - RV miled	129.49 9.70	127.46 7.81
, 29.00	18,24	Surface operations		
***		Tonnage treated - 1000	55	
		Vield - of	2.13	115 2.61
	0,41	Revenue - R/kg	43 129	40 847
44 75E		Cost - R/kg	16 974 25 149	15 <b>9</b> 57 24 <b>89</b> 0
21 072				106.78
	-	Cost - Sit materi		41,71
<b>8.42</b>	7.38		#1.#E	65.06
7.9i	9.80	FRIANCIAL REBULTS (ROOT'S)	****	218 287
		Cost		208 092
62 796		Working profit	18 526	f5 196
		Hedging cancellation costs	7 500	
(2 UHG)		2024EA LEARLING - 102:	3 (92	\$ 168 18 351
		Prote before taxaglion	14700	
3 900	,,	Transition leav	2 919	614 1 <b>627</b>
1 709	1 268	Profit after legation	11.500	18 210
				A 624
	17	· • - · • - ·		
(3 <b>807</b> )	[1 070]		the Montesproit number t	shall in fully
1 796	3 854	operations. The loss of production of 25 000 tons a	nd the repeir costs, total	ing some Rå
		•		
			the gold price all quieter	iding hedging
	a delegan ma	contracts were cancelled by taking out counter positi	ons. The lotal cost smoo	ested to A7.6
<b>-</b>		CAPITAL EXPENDITURE		
rations have come				
1900ir2 INGAS COLLE	menced with	There are commitments for capital expenditure amount	ng to FIS million (previous	quarter: R3.9
rigodira indea citilis	Mire becage	There are commitments for capital expenditure amounts milion). Capital expenditure is reflected net of the proof to SO il milion, committed with SO 4 milion in the proof	ng to PIS million (previous seds from stile of Sasets :	quarter: R3.9 which amount
STOCKES INCOME CONTIN	menced with	There are contribuents for capital expenditure amounts million). Capital expenditure is reflected net of the proc to RO.8 million, compared with RO.4 million in the preci-	oeds from stie of Sasets : leding quarter.	visiçis kangurit
		milion). Capital expenditure is reflected net of the proc to RG.5 milion, compared with RG.4 million in the preci	oeds from stie of sesets : reding quarter.	visiçis kangurit
old price all outstar		militori). Capital expenditure is reflected net of the proc to RG.5 militor, completed with RG.4 milition in the proce 18 October 1994	eëds from sale ef sasets : leding quarter. For and on behalf J. P. S. TURNE E. B. CROCKER, Mara	visiçis kangurit
		militori). Capital expenditure is reflected net of the proc to RG.5 militor, completed with RG.4 milition in the proce 18 October 1994	eëds from sale ef sasets : leding quarter. For and on behalf J. P. S. TURNE E. B. CROCKER, Mara	visiçis kangurit
vid price all outstar	ading hadging	milion). Capital expenditure is inflicted net of the proc to Ridd milion, completed with Rid-4 milion in the proc 18 October 1994 Durban Roodepoort	eëds from sale ef sasets : leding quarter. For and on behalf J. P. S. TURNE E. B. CROCKER, Mara	visiçis kangurit
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Reverue - Rr miled ..... Cost - Rr miled ..... Working loss - Rt miled 40 723 22 502 21 221 27.80 14.31 13.49 FINANCIAL RESULTS (ROOD'S) 79 445 81 781 (2 316) 23 700 2 662 76 # 651 23 870 286 Profit before texation ... 23 582 2 515 10 444 11 948 result (thing obtaining the quarter and a further improvement is expected in the next arter almough the profit will be lower than originally torscast.

Underground drifting programme has commenced to substantiate previous sedimentalogical dictions made regarding the one reservois and grade of the projected central psychool and obopical structures determined by selemic analysis. The results of the programme will confirm either the development of the satisfay shaft will be necessary or whether the area can be assent by the extension of the satisfay linched shaft, with concurrants sayings. This drifting gramme is expected to be substantially complained at the unit of the list quarter of 1995. tance totaling R1.8 million (gravious quarter: R1.5million) for the pumping of extrements r was claimed from the State during the quarter. Working costs have been reflected net a

OPERATING RESULTS	30-9-1394	30-6-1994
Underground operations		
Ore refled ~ 1000		1 579
Gold produced - kg		6 229
Yield - Q/t	121	3.31
Revenue - R/kg		40 847
Cost - R/lig	40 11 <b>8</b>	38 489 2 356
Working profit - P/leg		
- Revenue - Rit milied	138.10	135.27
Cost - Rit miled	129.40 9.70	127.46 7.81
Working profit - PV: milled	W/Q	7.81
Surface operations	-	
Tonnage treated - 1000		44 115
Gold produced - kgYield - g/!		2.61
Revenue - RAto		40 847
Cost _ Diles	16 574	15 967
Cost - R/kg	25 149	24 890
Revenue - Rif treated		106.76
Cost - R/I treated		41.71
Working profit - Rit treated		65.06
		92,00
FINANCIAL REBULTS (ROOTS)		***
Cost Cost	227 041	218 287 208 092
Working profit	18 🖼 6	15 195
Hedging cancellation costs		
Sundry revenue - net		3 166
Profit before taxation	14 786	18 351
Taxadian	2 919	614
Transition lary		<u>1 627</u>
Profit atter laxation	11 500	18 210
Capital expenditure - net	3996	8 624
OPERACIPANS		
Further to the announcement on 19 September 1994, the 1	ferriespruit number 1	پتترا وا العاد
operations). The loss of production of 25 000 tons and the	e repeir costs, total	ing some R3
HEDGOIG		
To enable the company to obtain maximum benefit from the		
to statute the company to come impainted beneat from the contact were cancelled by taking out counter positions. selfice.		
CÁPTÍÁL EXPÉNDITURE		
	Des	to D2 0
There are commitments for capital expenditure amounting in million). Capital expenditure is reflected net of the proceeds to 80.0 million, compared with R0.4 million in the preceding	from sale of assets	Applications services
	For and on behalf	of the bosel
	J.P.S. TIRRNA	ia no como.

EU agenda but may be raised month. ing Director Trade figures are given in billions of European currency units (Ecul). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985—100.

111111201 paration No. 01/00925/06 UED CAMTAL: R2 325 000 NH 2 325 000 SHARES		
ERATING RESULTS	Quester 39-9-1994	ended 30-8-1994
serground operations		
miled - 1969 d produced - lig	81 315	225 907
d - 97		3.59
6844 – RAG	45 061	42 201
I - R/m	101 4B2	55 609
ting toes - R/kg		13 248
enue - RA milled	175.20	151.58
I - Rift miled	394.69 219.49	199.09
	219,49	47.51
d treatment	242	259
produced - kg	154	150
i = pl	0.64	0.57
9000 - RAG	45 051	42 261
ting profit – Rike	27 679 17 472	29 962
		12 299
enue - R/t tretled	<b>24.67</b>	23.88 16.23
king profit - Art treated	11.12	10.94 6.95
ANCIAL REBUILTS (ROCC's)	11.14	<b>0.20</b>
NUMBER LISTORIA (LINES S)	21 129	40 528
	38 217	49 360
tiog less	£15 0880	f8 8221
#45/pules; 608; ************************************	19 700	
dry reverses — 1142 ,		806
od gold in process	13 237	
before taxation	(20 660)	(7 St7)
don		<u>-</u> -
after lexision	(20) 260)	(7 917)
hai recoupments - nel		
## LECONOMISMS - VOY		16
RATIONS		
reduction in underground priliduction is consistent with the		

The reduction in underground production is con a level of 80 000 tons per quarter. This rea employees, at a cost of R19,7 million.

18 October 1964 NOTES

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FWO DISPOS

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katchewan and Manitoba - most other provinces in bring-

Campaign fails to dent disillusionment

Ten days of hard election campaigning since the US congressional recess began has failed to reverse the disillusioned and anti-incumbent mood among US voters, according to an Associated Press poll.

The poll, released yesterday, found only 35 per cent of the electorate in favour of re-electing their own congressional representatives. However, only 26 per cent thought much would change if the Republicans took control of the Con-

There was good and bad news for both parties engaged in a campaign so far permeated by rancour and sleaze. Republicans were slightly more likely Mr Clinton speaking yesterday at Andrews Air Force Base AP to vote for newcomers than

Democrats, who risk losing unveiled last month and signed control of the Senate and, conby 300 Republican incumbents ceivably, the House as well in the November 8 poll.

However, Democrats had a slight edge with 38 per cent of the voters against 37 per cent in favour of Republicans. Democratic party strategists

fear the apathy and anger in the electorate is more likely to keep Democrats at home and drive Republicans to the polls. President Bill Clinton and the national Democratic party recognise the threat and have sought to turn the anger towards the "obstructionist" Republicans in Congress.

Recent missteps by Congressman Newt Gingrich, the Republican leader in the House, have given the Demo-crats the opportunity to campaign with a national theme. His "Contract With America",

by 300 Republican incumbents and challengers, promises a balanced budget, tax cuts and strengthening of defence - a prescription Mr Clinton is deriding as warmed-over

Reaganism. Mr Gingrich has also warned that Democrats will be por-trayed as "the enemies of ordinary Americans".

This has given ammunition to Mr Clinton, whose approval rating on foreign policy has been rising in the wake of US action in Haiti and towards Iraq. However, he remains deeply unpopular in large sec-

tions of the country.

"They are going to give us the trickle-down economics of the 1980s. They are going to give us their 'politics of the enemies list' of the 1979s," Mr Clinton said at the weekend,

referring to the late President Richard Nixon's obsession with his opponents.

Key to the Democrats' chances of stemming a Repub-lican tide will be delivering the message of Mr Clinton's accomplishments to voters. still anxious about job security and profoundly ignorant of the nation's busines

Mr Richard Morin, polling director for the Washington Post, noted at the weekend that few Americans knew the names of congressional leaders and four out of 10 think Republicens control Congress.

Most could not name a single piece of legislation passed by Congress, and half could not think of a single Clinton accomplishment. Those that could named healthcare reform, which was never

between Quebec breaking away and the status quo. Mr

Elton agrees that "a creative,

But the risk remains quite high that the west could has-

ten rather than hinder a

break-up. Mr Mike Harcourt

British Columbia's premier,

was widely seen as playing

into the separatists' hands ear-

lier this year with remarks

that while Québécois and west-

erners were the best of friends,

they would become the worst of enemies if Québec decided to

go its own way.

third option will emerge".

## AMERICAN NEWS DIGEST

## Cuba arrests raiding party

Cuba said yesterday its security forces had captured a raiding party of seven armed Cubans from Miami who landed by launch on a causeway near Caibarién on the island's northern coast early on Saturday. The Interior Ministry said the seven, who wore camouflage uniforms, shot dead a local fishermen. Three of the raiders were wounded in a shootout with the

The ministry described the seven as mercenaries, and the incident in Villa Clara province as a "strange attempt of armed infiltration coming from the US". It occurred a week before Cuban and US delegations were due to meet in Havana to review a bilateral immigration accord signed on September 9. In January 1992 Cuba said it executed by firing squad one of three Miami Cuban extles captured landing with arms and explosives on the north coast. The two other members of that raiding party had their death sentences commuted to 30-year jail terms. At least one other attempted landing by armed exiles has been reported in the last few years. Pascal Fletcher.

## Cardoso confirmed as winner

Mr Fernando Henrique Cardoso, Brazil's former finance minister, was yesterday confirmed as the country's future president following elections two weeks ago. With the final votes counted yesterday, Mr Cardoso polled 34.4m votes or 54.3 per cent of the valid votes cast. His nearest rival, left-winger Mr Luiz Inácio Lula da Siiva, polled 27 per cent. The right-winger, Mr Eneas Carneiro, seen as a protest candidate, came third with 7.4 per cent, beating established politicians Mr Orestes Quércia and Mr Leonel Brizola, who polled 4.4 per cent and 3.2 per cent respectively. Most votes had been counted by early last week, but delays and fraud allegations in Rio de Janeiro slowed the final announcement of the results. Mr Cardoso, who is on holiday in Russia with his wife, is due to take office on January 1. Augus Foster, Sdo Paulo

## Outright win seen for Menem

Argentinians will re-elect President Carlos Menem next May without the need for a damaging second-round run-off, leaving the opposition vote divided among rival factions, according to an opinion poll published yesterday. The poll adds weight to an important victory earlier this month for the president's Peronist party in Buenos Aires province. Governor Eduardo Dubalde, the second force in Mr Menem's party, overwhelm-ingly won a plebiscite allowing him to seek re-election, strengthening the Peronists' claim that their policies still carry majority support. Yesterday's poll, published in the government-leaning La Nación, showed the Peronists captur-ing 43.5 per cent of the vote, with the two main opposition forces, the centre-left Frente Grande and the Radical party, mustering only 20.7 and 18.9 per cent respectively. David Pilling, Buenos Aires

## US inventories surge

US business inventories rose 1 per cent in August, the fifth straight increase and the biggest advance since May, in what analysts said is fresh evidence of continuing economic expansion. The Commerce Department also reported yesterday that the rise was easily outpaced by business sales, which surged 3 per cent in August, the biggest jump in over seven years. The Commerce Department said inventories totalled a seasonally adjusted \$903.6bn, up from \$894.7bn in July, more than twice the rise expected by analysts. AP, Washington

## West provinces key to one-Canada campaign

Growing economic clout gives them voice in Quebec separatist debate, writes Bernard Simon

n unusual event in have for years resented the canadian politics took influence wielded in national affairs by Omario and Quebec, Mr Ralph Klein, Alberta's unilingual premier, appeared as the guest speaker at a chamber of commerce function in Sherbrooke, Quebec.

Thousands of miles and a huge cultural divide separate the French-speaking province from the prairies and mountains of Alberta and the rest of western Canada. Many westerners resent French signs at federal government offices in Vancouver, Calgary and Winni-

peg. For their part, few Québé-cois have been "out west". Mr Klein's trip to Quebec, however, was a sign of the critical role which the four western provinces are set to play in the intensifying debate over the francophone province's future place in Canada, leading up to the independence referendum which the newly elected separatist government in Quebec plans to hold next year. The run-up to the referendum could also make or ... break the reputations of several of the west's most promi-

nent politicians. The western provinces -British Columbia, Alberta, Sas-

which are by far the most economically powerful provinces. Right or wrong, westerners are convinced that they usually get the short end of whatever stick is being proffered by the federal government in far away

Ottawa. Mr David Elton, president of the Canada West Foundation, a Calgary policy research group, observes that whenever a westerner hears about a new federal initiative, "you may not know what it is, but you know you want to be sitting down when you hear it".

However, the west's clout has grown appreciably in recent years. Bank of Nova Scotia forecasts that British Columbia's economy, bolstered by a flood of immigrants and climbing pulp, paper and metal prices, will expand by 4.8 per cent this year, the strongest growth rate among Canada's ten 10 provinces. Alberta, which depends heavily on oil, natural gas and wheat, is expected to come in second with a 4.5 per cent growth rate.

ing down yawning budget deficits, to the point where Alberta is on track to balance its bud-

On the political front, Conservative westerners gained a new voice in last year's general election when the Reform party, which is based in Calgary, won 52 seats in the House of Commons, all but one of them west of Ontario.

Elion estimates that only

Canadian provinces together in

Reform reaffirmed its opposition to official bilingualism at a convention last weekend. It is also opposed to any special concessions for Quebec. "People want to hear tough talk from their politicians on the Quebec issue," says Prof David Bercuson, a political scientist at the University of Calgary. Many westerners take a more conciliatory line. Mr

about 25 per cent to 30 per cent take the view that if Quéhécois choose to leave Canada in the forthcoming referendum, nothing should be done to stop m. The west's distance from Ottawa and its increasingly close links with east Asia and with neighbouring US states belie a strong attachment to Alberta and Saskatchewan Canada. Periodic initiatives to have made more progress than bring western US states and



a "Rocky Mountain Corridor" have so far been confined to

commercial links. Mr Klein, who is by far the west's most popular politician at present, has given notice that he will be a voice of moderation in the national unity debate. "Canada may not have succeeded in everyone's eyes," he told his audience in Sherbrooke, "but we have not failed. Our federal system of government has allowed both Alberta and Quebec to manage our own economies, and to protect our diverse culture, language, heritage and history." indicated - without putting Mr Klein's closest ally in flesh on their ideas - that they guage, heritage and history."

national politics is Mr Jean Charest, the 36-year old Québécois who took over the Progressive Conservative party after its near-annihilation in last year's election. The Conservatives, who governed Canada from 1984 to 1993, lost all but two of their seats in parlia-

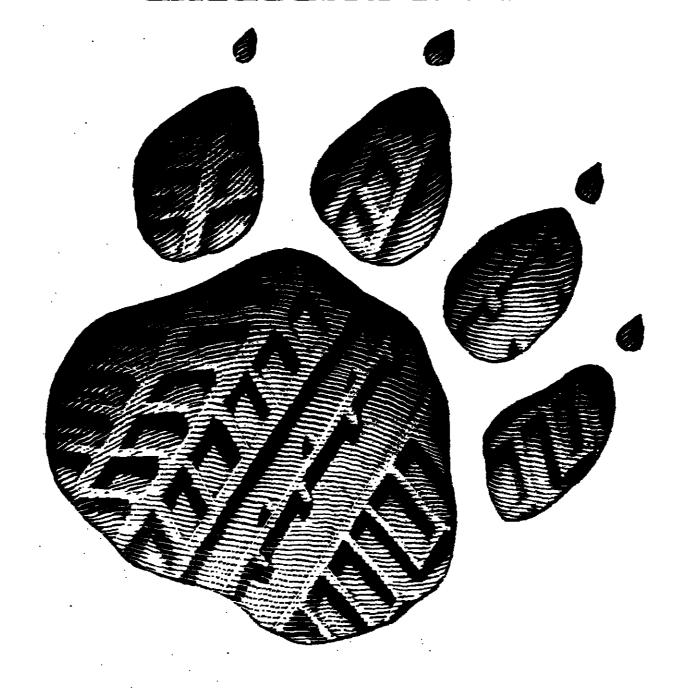
Mr Klein believes that only

Mr Charest, who is expected to emerge in coming months as one of most effective federalist voices within Quebec, can revive Conservative fortunes. The two men have recently

The new government in Que bec has an interest in provoking further such outbursts. After only a month in office, it has already raised backles by turning a number of relatively minor irritants into evidence of the inability of French- and English-speaking Canada to live together.

It would take a handful of western politicians to rise to the PQ's bait or the Reform Party to regain its stride for Mr Klein's optimistic scenario to start unravelling. On the other hand, if the separatist threat is defused. Mr Klein and Mr Charest could emerge as the saviours of Canada. .

## **EXCLUSIVE CAR.**



EXCLUSIVE TYRE.

The new JAGUAR XI Series is fitted exclusively with Pirelli tyres. POWER IS NOTHING WITHOUT CONTROL.



Do-it-yourself stores

group to shed 900 jobs

Texas Homecare, the UK's second-biggest chain of do-it-yourself stores, is to shed 900 jobs in its 240 stores as part of a manage-ment restructuring. The redundancies provide further evidence

of the depressed state of the DIY market - one of the fastest-growing sectors of retailing in the 1980s - which Ladbroke said

yesterday remained "highly competitive".

Sales growth is slow, with little sign of stimulus from a recovery in the housing market. With more than 1,000 DIY

superstores in operation, many analysts believe there is too

much capacity in the market. About half the job losses at Texas, owned by the Ladbroke group, will come from reducing the

average number of managers and assistant managers in stores from seven to five, with some administrative functions being taken over by computer systems. Remaining assistant managers

are being retrained and will spend more of their time on the

Restructuring costs of about £2m will be charged to this year's

profit and loss account, but Ladbroke said resulting cost savings would be "considerable". Ladbroke, which has no other retail interests, says it has no plans to sell Texas, but analysts believe

it might be prepared to if its performance could be improved sufficiently to attract buyers. Neil Buckley, London.

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**BRITAIN IN BRIEF** 

shop floor to improve service.

## Eurostar announces £95 fare

By Charles Batchelor and Michael Skapinker

The railways of Britain, France and Belgium yesterday announced the start of their high-speed Eurostar service through the Channel tunnel with prices for a return ticket from London to Paris or Brussels starting at £95 (\$150).

European Passenger Services, the British partner in the three-country project, said the prices did not seek to undercut airline fares because Eurostar aims to sell tickets on the basis of more convenient travel. Mr Richard Edgley, managing director, said: "We will run a city centre to city centre service with less hassle. We will also offer better and

more interesting meals." He said Eurostar would gain for journeys between the three capitals and a significant. though probably smaller, share of longer journeys between Manchester and Paris.

Fares for what Eurostar calls its Discovery service start at £95 return between London and Paris or Brussels if the traveller books 14 days in advance. They rise to £155 for a standard ticket without prebooking, and £195 for first-class travel which includes a hot three-course meal. The service starts on November 14 with tickets on sale from October 24. British Airways said the

Eurostar fares were higher than expected, making its own cheap flights look competitive. BA said air travellers could buy return flights from London to Paris for £83 provided they travelled in mid week and "a major share" of the market stayed in the French capital

August the fare for this flight had fallen to £59.

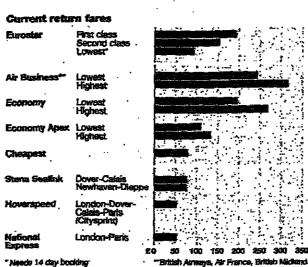
However, Mr Cris Rees, commercial manager at Thomas Cook, the travel agents, said Eurostar could probably afford to charge a small premium because it offered a convenient route from the centre of London to the centres of Paris and Brussels, cutting out travel to and from airports. Mr Rees said travelling by rail for the weekend would also appeal to families.

American Express, the financial services and travel group, said it welcomed the added competition for London-Paris travel, the world's busiest air route. The company said it expected Eurostar to win over travellers who found it easier to travel to Waterloo station than to Heathrow airport.

over a Saturday night. In American Express said: "Commuters to Waterloo will just have to change platforms to travel to Paris." They would also be able to work more com-

fortably on the trains than on an aircraft, the company said. In the first few months of Eurostar travel, departures will be limited to two a day each way to each of the other two centres, with a third train serving Lille at the junction of the three spurs in northern France. As more trains and carriages are delivered over the next few months Eurostar services will increase in fre-

Because of continued work on the tunnel by Eurotunnel, operator of the cross-Channel link, there will be no Eurostar services on Saturdays and Sunday mornings. But the Friday afternoon and Sunday afterLondon-Paris: how much does it cost?



noon services will allow travellers to spend weekends away. Tickets will go on sale through Eurostar's telesales office at main railway stations and through travel agents. The journey time between

London and Paris is three

hours and between London and Brussels 31/4 hours, but these gian and British high-speed links are complete.

Light at the end? Page 19

## Policy on detention of asylum-seekers is attacked

By Edward Mortimer

The UK Home Office practice of detaining asylum seekers for long periods without giving reasons is severely criticised in two reports from humanitarian organisations published today.

In one report, based on a study tracking the fortunes of 50 detained asylum seekers over 14 months. Amnesty International's British section

international human rights detained pending a decision on offences. Twenty-two of the 50 laws and standards. The other report, from the Medical Formdation for the Care of Victims of Torture (a UK-based charity), finds that people who seek asylum after surviving torture in their own countries are being detained in Britain for periods ranging from two to 17 months.

Some 600 asylum seekers in the UK, out of 50,000 under

their claims. Amnesty believes that "in most cases detention is neither necessary nor for reasons recognised as legitimate under international standards"

On average, Amnesty says, the asylum seekers in its study, none of whom were charged with any criminal offence, were detained almost three times as long as remand were eventually released, either on bail or on "temporary admission", while their cases were still unresolved - five of them after being held for over six months. None of these later absconded or failed to comply with the conditions of their

"These findings seriously undermine the government's claim that detention is used

as a last resort' when 'the applicant cannot be relied upon to comply voluntarily..." the report says. It also condemns the lack of

any requirement that deten-

tions should be justified to a

court or similar review body. It

contrasts this with the crimi-The Medical Foundation report is based on 47 cases of detained asylum-

seekers visited by doctors

England.
Meanwhile, the Chinese

authorities had by July of last

year become aware of the

export of the letters of credit.

from the foundation since January 1983. In 45 of these. the foundation was able to doc ument evidence of torture, but detention continued none the

The report stresses that detention, besides adding significantly to the distress of tordifficult to make decisions about a person's credibility", because of the anxiety and

one was traced to a bank vault

Mr Lei Ping Wu of the agri-

cultural bank's London office

said that, thanks to the actions

of the police, his bank had suf-

The individual who pres-

in Switzerland.

## Commercial television companies are considering broadcasting

Lottery war ahead on television

an "unofficial" programme about the National Lottery to counter the official live draw of winners which will be shown on the publicly owned BBC 1 channel every Saturday evening from late next month. ITV, the national commercial network, is saying nothing about its plans other than to insist that its viewers will be kept fully informed about the lottery that will start creating millionaires from November 19.

The signs that ITV intends to be competitive on what could be one of the top-rated programmes on British television came yesterday as Camelot, the National Lottery operator and the BBC confirmed that they had signed a three-year contract. Lottery tickets will cost 21, and if Camelot's forecasts are met, the world's largest individual lottery should have revenues of £32bn over seven years. Raymond Snoddy, London.

## Army role in Ireland to change

The British government yesterday gave fresh impetus to the peace process in Northern Ireland by indicating that the armed forces were preparing to adopt a lower profile in the province.

Amid clear indications that Downing Street will announce within the next week that it is ready to hold exploratory talks with Irish nationalists, Mr Malcolm Rifkind, defence secretary, told MPs he was planning new measures to reduce the impact of the armed forces' operations.

Mr Rifkind said it would be irresponsible to cut force levels in Northern Ireland prematurely. But he told the House of Commons that the government aimed to "make the posture of the military patrols appear less aggressive to the public. It can never be normal for soldiers to be deployed on the streets of the United Kingdom." loor Owen and James Blitz, Westminster.

## Leader's grip on party grows

Mr Tom Sawyer, a leading trade union ally of Labour party leader Mr Tony Blair, was yesterday appointed general secretary of the party by its ruling national executive committee. His appointment ensures the loyalty of the party machinery, and helps prepare the ground for Mr Blair's plan to dump its traditional commitment to nationalisation later this year.

Mr Blair's grip on the party machine is expected to be further strengthened tomorrow by the election of additional supporters to the shadow cabinet. Kevin Brown, Westminster.

## Police crackdown averts \$10bn fraud on China bank

By Robert Peston

A \$10bn bank fraud was prevented by an international police operation led by the UK's metropolitan fraud squad.

Details of one of the biggestever attempted bank frauds emerged yesterday on the eve of the UK's first National Fraud Forum, which brings together police, City of London regulators and private-sector investigators to discuss how to improve the UK's record on fraud prevention and prosecu-

The victim of the fraud based in North America, with

attempt was the Agricultural Bank of China, one of China's big four banks.

It involved the issue by the bank of \$10bn in letters of credit, or bank certificates guaranteeing trade payments between two companies. Letters of credit can be traded or used as collateral when raising bank loans.

Hengshui Central branch of the Agricultural Bank issued 200 of these certificates, in the name of United Asia (Group) Corporation, a shell company

On April 1 last year, the

payment due to Sherwood Investments of Bahamas. According to an official with

a close knowledge of the case, the certificates were genuine in that they were signed by two employees of the bank. However, they may have been obtained by deception and their export out of China was also probably illegal.

The official said that the perpetrators of the scheme were too greedy. "If there had been less money at stake, they might have got away with it". he said. Most of the certificates were taken on a circuitous route through a series of offshore centres to the City of London, where eventually they were presented to Barclays, the UK clearing bank.

Investigators believe that the aim of presenting them to Barclays was to obtain a receipt stating that the certificates had been lodged with the bank. This receipt would then have been used to obtain substantial loans from other

However, Barclays had suspi-cions about the provenance of the certificates and therefore contacted Agricultural Bank's more were found in the US and

Messages were sent to all inter-national banks via the SWIFT fered no losses. electronic funds transfer network, telling these banks that the certificates should not be treated as legal tender. The police in London and

ented the certificate to Barclays has disappeared. In China, several people have been imprisoned in connection New York were alerted. In the with the case, including two bank employees. No charges following six months, they succeeded in recovering 193 of the certificates in London Six

head office and the Bank of West Indies. The location of

have been laid against anyone outside China. Fraud Survey, Page 27

"Take me to the Hilton."

The day's dealing had been even more successful than I'd hoped. But now I was

feeling as limp as my suit, and the decision whether to dive

into the bar or the shower first was going to be a tough one.

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NEWS: UK

Industry minister says Conservatives were right to opt out of EU social chapter

## Samsung project biggest since Nissan

By John Burton in Secul

Samsung's decision to establish its main European production beachhead at Wynyard in north-east have an annual production of England comes after fierce competition among EU members to attract the biggest investment project yet by a Korean company in the region.

The world's fifth-biggest electronics group has been scouting sites in the EU for the past year as part of its strategy to establish regional manufacturing centres around the globe. It has already selected Tijuana, Mexico, as its main production complex for North America. EU candidates included Por-

tugal, Germany and France. The final choice came down to Spain, where Samsung has TV and VCR manufacturing operations in Barcelona, and the UK. It now produces colour TVs at Billingham, Cleveland,

According to UK investment officials. Samsung conducted negotiations on the final choice in the past two months. Much was at stake. Samsung plans to

Industrial

revolution

By Chris Tighe

in north-east

The Samsung project is a

tremendous economic and

psychological boost for a

Far East manufacturers.

County Durham.

Avcliffe will start next April.

spend \$700m on the project, almost seven times the annual investment by Korean compa-nies in the EU.

The proposed complex will im computer monitors, 1.3m microwave ovens, 250,000 facsimile machines, 250,000 personal computers, and 3m monitor tubes as well as facilities to manufacture 8-inch semiconductor wafers and colour televisions. The facilities will generate \$2bn in annual turnover.

British officials describe Samsung's project as the single biggest foreign manufacturing investment in the UK since Nissan's initial \$450m investment at Sunderland in 1988. it is a significant escalation of the trend towards overseas expansion by South Korean companies, which lag their Japanese competitors in establishing plants abroad. The aim is both to get round protection-ist trade barriers and to be

close to the markets they

serve. Samsung recently also

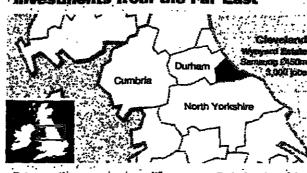
announced plans to build a

trade and industry secretary, believes the UK was selected over Spain for several reasons including labour productivity and infrastructure, the Koreans' familiarity with the English language, and the pre-vious success of Korean

operations in the UK.

Mr Reseltine, who is on a visit to Seoul, cited the Samsung decision as supportive of the UK's decision to opt out of the EU social chapter so that it can offer "competitive wage rates." But he added that Samsung found the UK an attractive place to invest because of its membership in the EU.

However, the government's offer of financial benefits also swayed Samsung. Direct and indirect assistance accounts for 20 per cent of the invest ment cost, the company said. British officials believe the incentive package is worth the price because the Samsung complex will provide 3,000 jobs in a "regional unemployment blackspot" in north-east investments from the Far East



Date ·	Name	Where	Project cost	Jobs
1989	Toyota Motor	East Michands	2700m	3,000
1989	Fulitau (Semiconductor)	North-east	£4,000m	1,500
1992	Honels Motor	South west	£300m	1,300
	Museum Manufacturing	. South-west	£460m	963
1998	-ASAT	Wates	£42m	1,000
1989 '	Yachito Industrial	West Midlends	\$25m	1,000
1991	Nissan Motor .	North-east	£150m	1,800

## Electronics giants queue to invest

Samsung's decision to spend some £450m (\$711m) to extend its Cleveland factories represents a further vote of confidence in the quality of British manufacturing from South Korea's largest industrial group, which is also the world's 18th-largest company.

tems, the US workstation man-

region of Britain undergoing Its activities range from its own industrial revolution. semiconductors, electronic North-east England prides watches and computers to itself on being the UK's biggest shipbuilding, heavy engineering, petrochemicals and medifocus of inward investment by cal equipment.

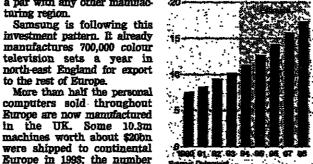
It already numbers among In the past month NEC, the its dozens of big foreign Japanese electronics giant, investments two of the UK's Sharp, the Japanese consumer biggest - Nissan's £926m electronics company and Phil-European car plant at ips of Holland have all Sunderland, Type and Wear, announced further investment and Fujitsu's only European in their UK manufacturing semiconductor manufacturing operations, chiefly in the areas operation, at Newton Aycliffe, of semiconductors, television picture tubes and white goods. In addition, Mr Phillip Fujitsu announced yesterday Samper, president of the comthat production of 16 megabit D-Ram microchips at Newton puter division of Sun Microsys-

ufacturer, said the quality of portable computers produced by Sun's Scottish plant was on a par with any other manufac-

Samsung is following this investment pattern. It already manufactures 700,000 colour television sets a year in north-east England for export to the rest of Europe. More than half the personal

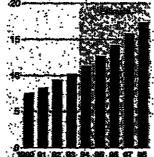
turing region.

in the UK. Some 10.3m machines worth about \$200n were shipped to continental Europe in 1993; the number grew another by 10 per cent in 1994. The market is buoyant. A recent Economist study suggested demand is set to grow in double digits for the foreseeable future: "Business in the 1990s cannot compete without the efficiency and technology provided by computers...the massive price reductions of the past two years have played a vital part in promoting continued growth Growing Euro PC market



in the sale of pcs," it argues. Mr Chan Bea, managing director of Samsung Electronics in the UK, pointed out the proximity of Cleveland to Scotland's Silicon Valley where there are a host of computer companies which could become customers for Samsung's prod-

The picture for microwave ovens is less clear cut. Accord-



diversification.

Manufacturers of Domestic Appliances some 1.5m ovens were shipped last year, roughly the same as the number of washing machines. While the number of first-time buyers is continually replenished, it is

becoming a replacement mar-

The UK is reckoned to be ahead of the rest of Europe, however. Total European production of microwave ovens in 1992 was 3.9m. Whereas almost 90 per cent of European households have a washing machine, however, only about 33 per cent have microwave ovens. Mr Bea said manufacturing within Europe would prevent regulatory problems with the European Commission.

Samsung's new investment corresponds with its stated corporate strategy which is to concentrate investment in promising sectors of international industry rather than weakening its thrust by over-

## **Incentives** in cash attract companies

By Chris Tighe

Samsung's new Electronics Complex underlines yet again the fierce competition between rival areas of Europe for new investments, and the substantial incentives offered to help tip the balance.

In the summer, the rift between UK government ministries about the aid available from the Department of Trade and Industry for inward investment was exposed. It was revealed in a leaked letter in which Mr Michael Portillo, then a iunior minister at the Treasury, wrote critically about the us of investment grants to deal with regional imbalances in

Samsung's choice north-east England will have been influenced by its happy experience in the region, where it has a successful recently expanded £20m investment at Billingham, Cleveland, producing television sets and employing 300

But nobody in the economic development field doubts the important of large cash incentives; at Wynyard, a Development Area. Samsung has been offered £58m (\$91.6m) in Regional Selective Assistance on the basis of a £450m project. If, as hoped locally, the investment goes up to £600m, applications for further RSA could be made.

In addition, governmentbacked developer England Partnerships is contributing £9m and Cleveland County Council and Teesside Training and Enterprise Council are offering £5m each. Other council aid and European funds have produced an additional As late as last Friday the

Northern Development Company did not know if it had secured the project; chief exec-utive Mr John Bridge believes the Samsung study team made its final decision only on Fri-

## **Branson rival** hopes to take cola war to US

By Diane Summers, Marketing Correspondent.

Richard Branson, the Virgin company chairman who appears to delight in challenging the supremacy of estab-lished organisations such as British Airways and Coca-Cola, is himself coming under attack from a minnow competitor.

Mr Ric Huning, a businessman who has been operating a small group of companies called the Elfin Group from Wales, says he, and not Mr Branson, originated the idea of a Virgin Cola drink. He says he intends to launch the product in the USA and is also pressing ahead in Australia and South

Meanwhile Mr Branson's Virgin drink will initially be dis-tributed in the UK mainly through Tesco supermarkets and his lawyers said they would act against Mr Huning if he launched a product called Virgin cola anywhere.

Mr Huning says he first presented the Cola concept to Virgin in 1992 but that in January last year the organisation rejected the idea. Virgin has confirmed that one of its executives wrote to Mr Huning in January last year saying: "Your idea for 'Virgin Cola' looks very interesting and I am sure it would be a great suc-

"However, we are currently concentrating investment on ideas which fit in with our existing businesses," he continued. "Unfortunately your idea

is a little too far removed from those businesses to be of interest to us. I wish you luck with your endeavours and thank you for considering Virgin." Mr Huning says that after receiving the letter he started discussions about manufactur ing and marketing Virgin Cola himself. But then, he continues: "Somebody in the [Virgin] organisation must have decided somewhere through

1993 that it was a damn good

idea and they should really do In July this year Virgin gained an interim injunction in the UK preventing Mr Huning from using the Virgin Cola name in the UK. Harbottle & Lewis, Virgin's lawyers in London, said that the letter from Mr Dixon was "written by mis-take in the middle of an extremely aggressive set of correspondence" between the firm

and Mr Huning. This correspondence made clear to Mr Huning that "if he tried to go ahead and use this [the Virgin Cola name] we'd come after him," said Har-

Virgin said Mr Branson had said some years ago that he was thinking of going into the soft drinks business. Mr Huning had been told a long time ago that cola was about a for-mula rather than an idea. "We needed someone to bring us

Mr Huning, who has subse quently seen the collapse of his main trading company,

## Farmland to be freed

Legislation ending security of tenure for new agricultural tenants should immediately free nearly 1m acres of farmland for rent for periods of five vears or more, the Royal Institution of Chartered Surveyors said yesterday, Alison

Maitland writes. The institution said this would represent almost 10 per cent of the rented sector in England and Wales, which is paralysed by landowners'

unwillingness to risk losing control of their land. Mr William Waldegrave agriculture minister, said last week that a bill reviving freely negotiated contracts between farm landlords and tenants would be introduced early in the parliamentary session which opens next month.

Mr Martin Lowry, RICS

spokesman on rural property, said the change would enable new blood to enter farming.

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So, together, let's care.

## Cause for quiet celebration

s it approaches its first birthday, the UK's Financial Law Panel has good cause for cheer. The panel was set up by the Bank of England amid concern that uncertainties in the law affecting financial markets were undermining London's future as an international financial centre.

Today, the FLP enjoys the active support of some 150 (fee paying) law firms, banks and other financial institutions. And according to the FLP's chairman, Lord Donaldson, former Master of the Rolls: "In its first year, the panel has made far greater progress with its allotted task than could reasonably have been expected."

To date, nine projects have been completed, in addition to guidance papers on so-called "netting" (off-setting liabilities between two parties), the FLP has produced papers on the legal position of "shadow" directors (people who, while not directors themselves, exercise control over the management of a company); the controversial issue of brokers' liability for premium in nonmarine insurance at Lloyds; and a recommendation on the position banks should adopt on security over cash deposits.

Lord Alexander QC, chairman of National Westminster Bank and the Bank of England's legal risks review committee, which recommended setting up the FLP, said "I feel the prototype is flying." When, two years ago, the committee recommended the FLP the idea seemed a good one, he said. But there were several concerns. Would there be enough subscribers? Would there be enough for the panel to do in the long term? Would enough people want to solve problems outside court to make the panel worthwhile? Those concerns have proved One year after its launch, Robert Rice examines the progress of the UK's Financial Law Panel

largely unfounded. "Overall, I'm rather encouraged," said

Lord Alexander.

According to Lord Alexander, NatWest is satisfied it is getting value for money. He points to the reassurance the panel has provided for the markets in general, particularly in areas such as netting and shadow directorships, where although bankers and lawyers felt they were on solid legal ground there was still some uncertainty.

The panel has also been able to prevent disputes going to court by examining issues such as the Lloyd's brokers' liability. The panel sought to determine whether an industry practice existed by which brokers could be beld liable for premiums. It found no such custom existed and the issue has now been resolved without recourse to the courts. "That seems to me like a very attractive way of dealing with issues," said Lord Alexander.

He believes the name!'s great-

He believes the panel's greatest strength is that it is seen as impartial — a view echoed by Mr Colin Bamford, the FLP's chief executive. Although Mr Bamford concedes that "sometimes what we do makes people's lives more difficult", his main objective of ensuring the FLP is seen as independent appears to have been achieved.

"There is no point in the panel being the representative voice of City solicitors or another arm of the Bank of England," he said.

This question of independence is particularly important

This question of independence is particularly important when dealing with the government. "My perception is that the government regards us as worth listening to because we are not a representative body



City success: FLP's Colin Bamford and Lord Alexander

ment - an issue brought to the FLP by UK commercial banks

- and the powers of public bod-

ies, such as local authorities

and National Health Service

Trusts, to deal in financial

markets. The latter is a legacy

of the 1990 Hammersmith and

Fulham council "interest rate

swaps" case in which the Law

tracts between banks and local

authorities were invalid

because local authorities were

not empowered to carry out

The issue of public bodies

trading in financial markets

has been given added impor-

tance by two recent develop-

ments: a High Court ruling in

May in the Allerdale case; and

by the government's much-

vaunted private finance initia-

tive for public sector projects.

such transactions.

Lords ruled that swaps con-

of City interests. There is enough special pleading on behalf of interest groups already," he said.

One consequence of this uncompromising stance is that several banks which have turned to the FLP have been frustrated at its dogged impartiality.

The debate on the limits of auditors' liability is an example of an issue in which the FLP has resisted any involvement. "It's an important debate. But there are no legal uncertainties involved. We would just be adding our voice to one side or another and that's not what we're here for," says Mr Bamford.

As it sets out on its second 12 months, the panel's agenda is already full. The two big projects on its hands are legal uncertainties in fund manageHigh Court ruled that Credit Suisse, a Swiss bank, could not recover a £5m loan to Allerdale Borough Council, Cumbria, which the local authority had guaranteed. The court said the council did not have the power to issue a guarantee. The judgment heightened concern in the City about lending to local authorities.

authorities.
Since the Hammersmith and Fulham ruling local authorities have been lobbying the government for a change in the law on the public bodies' powers to engage in City trading. Local authorities have proposed two solutions: either abolish the ultra vires rule (which provides that a contract is void and unenforceable if it is beyond the powers of a public body); or introduce "safe harbour" provisions for banks entering into such transactions.

Neither solution is attractive.

Neither solution is attractive to the government. The FLP was called in and has proposed to the Treasury that a tribunal be set up under the Andit Commission to which public bodies can take pre-clearance for proposed City deals. If the proposed City deals. If the proposed tribunal says a deal is within a public body's powers it will issue a certificate as a safeguard for third parties. It is a novel solution, says Lord Alexander, which only an independent body such as the panel could have proposed.

Over the coming months the panel will also be continuing two long-term projects - seminars for judges on practical developments in the financial markets, and the development of the idea of the panel acting as amicus curiae - friend of the court - in litigation involving the operation of the financial markets.

The latter has already been discussed with senior judges and lawyers and is generally well received, said Mr Bam-



Court of First
Court of First
Instance
against a
record Ecu75m
(£58.8m) fine levied by the
European Commission for
breach of the Rome Treaty

competition rules.

The case, which involved a six-year investigation by the Commission followed by a two-year administrative procedure, concerned the commercial policy adopted by Tetra Pak in the European Community since 1976 in respect of its packaging machines and cartons.

machines and cartons.

The Commission found Tetra
Pak had a dominant position in
the markets for machines and
cartons intended for the aseptic packaging of liquid foods in
the EC, and that it had abused
that position both in those
markets and in the neighbouring markets for non-aseptic
machines and cartons.

Non-aseptic food packaging does not require the same degree of sterility as aseptic packaging and so calls for less sophisticated equipment.

Tetra Pak denied it was in a

Tetra Pak denied it was in a dominant position in the EC and that it had infringed the competition rules.

First, it disputed the Commission's definitions of the product market and geographical market. Second, it disputed that it was in a dominant position in the markets for aseptic products. Finally, it disputed whether the relevant EC competition rules applied to Tetra Pak's conduct in the neighbouring markets for non-aseptic products, in which it was not dominant.

In defining the product market, the Court held that it was necessary to take account of all the competitive conditions in the general market for the packaging of liquid food products when determining whether the Commission was correct in finding that there Tetra Pak appeal

were distinct markets for aseptic and non-aseptic machines and cartons.

The Commission was right to determine this issue on the basis of whether other products were sufficiently interchangeable with the particular markets, and to apply this test to the packaging systems themselves and not to the finished products (for example,

milk cartons).

Given this, the Court found, on the facts the Commission had established to the requisite legal standards, that the markets for aseptic and non-aseptic machines and cartons were distinct from the general market in systems for packaging liquid food products.

With regard to the geographical market, the Court held that this consisted of a territory in which all traders operated under the same conditions of competition as far as the relevant products were con-

The Commission's definition of the market as covering the whole EC market was thus correct, as demand was stable throughout the EC, customers could obtain supplies in other member states and the products themselves could be easily transported between member

With regard to dominance of the aseptic markets, the Court had little difficulty supporting the Commission's findings, as these showed the applicant had 90 per cent of the market in aseptic machines and cartons throughout the EC. With regard to the Commis-

With regard to the Commission's finding that Tetra Pak had abused its dominant posi-

tion in the neighbouring market of non-aseptic products, in which it was not dominant, the Court said a company in a dominant position had a special responsibility not to allow its conduct to impair genuine, undistorted competition on the common market.

The actual scope of this special responsibility depended on the specific circumstances of

In the present case, both aseptic and non-aseptic products were used for packaging the same liquid food products, and a substantial proportion of Tetra Pak's customers operated in both areas.

Given these facts, the Court held that the Commission was entitled to find that the links between the aseptic and non-aseptic markets reinforced the applicant's economic power over those markets, without there being a need to establish the existence of a dominant position on the non-aseptic markets.

Tetra Pak also claimed that its conduct was not abusive. The Court found, among others things, that customer contracts which tied machine users to using Tetra Pak's cartons were not objectively justified and were intended to strengthen the company's dominant position by reinforcing its customers' economic dependence or

The Court also found that the company's prices at certair times were below variable costs and that this was evidence of predatory pricing, as no dominant company had any interest in applying such prices except to eliminate competitors.

A number of other proce dural pleas raised by Tetra Pak, including submissions or the level of the record fine were dismissed.

Tetra Pak International SA a Commission, CFI 2CH. 6 Octo

BRICK COURT CHAMBERS

LEGAL BRIEFS



## CEDR settles £3m dispute

he Centre for Dispute Resolution (CEDR), an industry-backed, non-profit-making body set up in 1990 to promote the use of alternative dispute resolution in the UK, has resolved a £3m dispute between Hawker Siddeley Power Engineering and the Ceylon Electricity

The two-year-old dispute, over an electrical engineering contract for Colombo's underground distribution system, was resolved in five days. CEDR was approached by

the British High Commission after several unsuccessful attempts by the parties to settle the wrangle. Mediation was carried out in Sri Lanka by two mediators from London. The alternative for the parties was lengthy international arbitration, according to CRDR. One of the companies estimated its cost savings at £200,000.

New IBA president
Professor Ross Harper,
former president of the
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has been elected president of
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Association from 1994-1996.

B&M leads field

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International. Firms are

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Accountants need to be 'proactive'

A ccountants need to be more proactive in the services they provide to lawyers. This is the finding of a survey of law firms by accountants Baker Tilley and The Lawyer magazine.

financial advice they receive from accountants very highly. with only 43 per cent of respondents considering it to be good or excellent. A number of firms said accountancy documents were too technical and should be simpler and more precise.

Lawyers are also unhappy a the level of fees charged by accountants. More than 30 per cent of respondents thought these were high or very high. According to Baker Tilley, this is "a surprisingly high statistic from a profession which operates a similar fee

structure".

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## Caji to end VAT 'money-go-round'

The Federation of Small Businesses yesterday called for a system of VAT-free trading between companies dealing on credit terms.

The Federation says HM Customs and Excise collected £63bn in 1993, of which £25bn was subsequently repaid to companies in a "futile money-go-round".

Freeing such inter-company trading from VAT would relieve small companies of much of the paper work required to avoid the stringent VAT penalty regime, the Federation said in a submission to the Chancellor of the Exchequer ahead of the November Budget.
Abolition of inter-company

VAT would be the "biggest clearance of red tape within a system recognised by all small business surveys to be the biggest cause of concern for this sector", the Federation said.

The idea is likely to be opposed by Customs and Excise. which has argued that VAT-free trading would increase the risk of abuse. The Federation claims Customs and Excise collects considerably more than it is due and pays it back later, creating a cash flow benefit to the Exchequer at the expense of UK com-

## **Guidance when** late bills pile up

Legislation to allow businesses a statutory right to interest on bills that are paid late may still be a long way off in the UK. But the need to manage cash flow remains as acute as ever for businesses, particularly when they are growing rapidly.

To help understand and calculate the cost of unpaid invoices and improve cash flow. Griffin Factors, the subsidiary of Midland Bank, has produced a guide, Financing the Credit Gap. The free guide contains an

interactive disc and a booklet which help to assess the business's financial position and make recommendations. Available from Griffin Factors. Tel: 0800 525507

round Derbyshire's coalfields in the north of England there is widespread mistrust of anyone who says that improving productivity will make jobs more secure. The closure of pits shortly after British Coal exhorted employees to higher productivity left many understandably cynical.

Local feelings were therefore running high three years ago when new management at Plyglass, a glass processor in Somercotes, Derbyshire, attempted to rebuild the basis on which its 460-strong workforce was paid.

The company, which makes tem-pered and laminated glass, sealed double glazing units and PVCU windows for the construction industry. was typical of many long-established companies.

Industrial relations were characsimply co-existing with little sense of common purpose in an atmosphere of mistrust and hostility.

Plyglass's efforts to break with the "them and us" attitude and improve productivity will be familiar with many other companies trying to alter working practices. Its experience underlines the difficulty of changing deeply entrenched atti-

When Alan Twaite arrived at Plyglass as managing director three years ago, he says, it was clear that company interests were not upper-most in the minds of many in the workforce.

He says less than 10 per cent of the workforce at its four sites could be described as "caring" and willing to learn how to improve the business. A smaller minority were firmly rooted in the "stuff it" camp. But the vast majority of employees were sitting on the fence, undecided which side of the traditional divide

There was this feeling that if everyone was standing to attention the management was in control," says Twaite.

"In fact, Plyglass was paying the highest wages in the area but it was bad value for money," he adds. The business was also in financial difficulty. Like many larger companies, the parent of Plyglass, family-

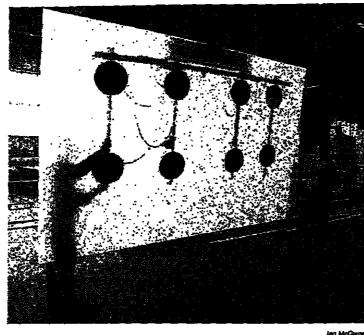
owned Greenbrook Industries, had gone on an acquisition spree in the 1980s that proved unsuccessful. Plyglass was on the way to making pre-tax losses of £2.4m on sales of £17m in the year to June 1993 and was threatening the health of the

whole group. Twaite quickly sold or closed the Scottish, Welsh and Hampshire companies. But he believed the big obstacle to further progress was working practices.

"The productivity issue was important, to solve an attitude problem," says Twaite. But the company also needed the workforce on its

Richard Gourlay on why a Derbyshire-based company altered work and pay structures

## Pains of glass



side to reduce waste of materials. Boilermakers Union would negoti-Sixty per cent of manufacturing costs is accounted for by materials compared with less than 10 per cent for labour costs.

"One does not address this issue

ate a basic rate that accounted for about half average pay. The balance was negotiated in bonuses at the factory.

Twaite says this system led to all

The main problem is that the workforce does not feel it can see the bad months coming, whereas in the old system they could tell what their pay would be'

with enforced disciplines," Twaite says. "You have to get the guys to treat the product with care." With the one remaining site at Somercotes, the management

started looking at the annual pay Under long-established practice, the Glass and Glazing Federation and the General, Municipal and

sorts of anomalies. The bonus was partly decided by time and motion studies of throughput on a particular machine. Any breakages or work that required more work led to higher bonuses.

Furthermore, the system was geared to maximising output, not to meeting demand from customers. At the beginning of 1993 Twaite

and production director Bob Taylor decided to raise the basic pay to about 80 per cent of the average pay under the old system. This would be enhanced under a new pooled bonus scheme.

The new scheme includes a productivity element, if departmental targets are exceeded, the bonus pool is credited. Employees also work to quality targets. This is based on a formula that looks at the amount of materials waste, whether orders are delivered on time and the level of customer returns. The bonus pool is then shared equally throughout the company.

Management's announcement of the plan, after months of trying to negotiate its introduction, was greeted with a vote for strike action. But the strike never happened - Taylor says because district union oficials realised the company's customers would take their orders elsewhere, effectivly closing the factory.

Eighteen months later, there has been progress but not unqualified success. Output has increased by 16 per cent, while the wage bill is unchanged year on year.

But there has been less consistent

progress in reducing waste. "I can-not point to continuous improvement," says Taylor though he claims Plyglass is better placed to manage its reduction. The response from the workforce

has been mixed. Twaite says some old attitudes die slowly. Some employees are only just beginning to understand what the company is trying to do for its customers.

The management admits it also has much to learn, particularly about communication. Employees complain they get little notice of the size of their bonus payments or explanation why they vary.

The main problem is that the

workforce does not feel it can see the bad months coming whereas in the old system they could tell what their pay would be," says Taylor.

The company has returned to profit with £620,000 from sales reduced to £16m. But it believes it has only scratched the surface of possible improvements. It is working with consultants on

a programme of continuous improvement funded partly by the Derbyshire Training and Enterprise Council. And it is stepping up efforts to communicate better - a move Taylor says will pay off as more employees try to isolate problems that have affected the bonus Whether this is enough to give

Plyglass a future as a successful, independent glass processor is uncertain, given the consolidation taking place within the industry,

But its efforts so far have at least given it the opportunity to fight for that future.

Learning to extend quality

New aids are available to take companies beyond BS accreditation

accreditation under BS EN ISO 9000 - what used to be BS 5750. need to peer through a fog of marketing hype these days to find those parts of the process that genuinely improve quality.
Different organisations are

attempting this in different ways. The British Standards Institution. the UK's largest quality assurance assessor, is about to launch an ambitious teaching aid using CD-Rom technology.

The distance learning product, called Fastraq 9000, uses video, text and sound in an interactive package to describe the methodology behind the writing of a quality manual. Fastraq 9000 took two years to develop at a project cost of £500,000. It will take an executive 16 hours to work through

properly, BSI says.
In complete contrast MRDL, a small Woking-based consultancy, is questioning the way many com-panies have implemented quality programmes and is introducing what it calls an alternative "Minimalist Managing System"

MRDL asserts that UK companies waste £45m a year writing and managing inflexible and over-complex quality systems simply to comply with BS EN ISO 9000. Simplification of the process not only costs less, but is more likely to produce a quality manual that will become a management tool, MRDL says.

But first, BSI's Fastraq 9000, which will be on sale from mid-November. BSI has targeted the product at managers interested in gaining certification and for company training purposes. According to Ram Mylvaganam, director of marketing at BSI, the most committed managers can also use it as a tool to help write a company's quality manual, thereby reducing the need for external eonsultants. BSI is doing its bit to dispel the

idea that the BS EN ISO 9000 standard is an end in itself. Accreditation, it says, "is just the

end of the beginning".
But for a CD-based product of such length, the material is surprisingly difficult to dip into and

ompanies pursuing needs to be systematically worked through from start to finish.

The 10 modules are not cheap - 22,500 in total, excluding VAT. plus up to £500 for an expansion board to handle the high quality video pictures. Unfortunately, BSI has declined to say how many Fastraq 9000's it hopes to sell - so much for outsiders being able to measure its performance against

Minimalist takes a different approach. It attempts to strip the narrative used to describe procedures in quality manuals. The English language, it says, is wordy and imprecise and even when clearly written can spawn confusion. Minimalist breaks down each crucial procedure in a business and puts the actions

required in a matrix.

Down one side of the matrix are the actions needed to perform marketing or purchasing procedures, for example; across the top is a list of who is responsible, the follow-up action required, and what other procedures depend on the action elsewhere in the organ-

One fan of the system is Black Horse Relocation Services, part of the Lloyds Bank group, which sought BS EN ISO 9000 accreditation to maintain a competitive edge. After scouring the market, Paul Bolton, general manager of network services, said he saw the limitation of many quality management systems. You can end up with volumes of documentation that hold the building up but do not help to manage the bush-

ness," Bolton says.

MRDL provided the training for Black Horse to write its own manual using Minimalist. By minimising documentation and using the simple tabular format, Black Horse's staff were able to write their own quality system. This involvement gave them "ownership" of a manual that has since become a working tool.

"We have noticed a lot of bene fit in terms of departments that are more aware of what each other department is doing." says

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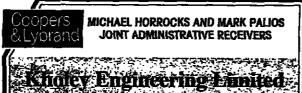
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ompaq Computer's plant at Erskine in Scotland is just a few miles from the village of Houston, a coincidence that symbolises its connection with the company's headquar-

ters in Houston, Texas. Until recently Compaq's Scottish manufacturing operations have largely focused on assembling technology developed in the US. However, Erskine's role is being upgraded as part of the company's worldwide review of manufacturing efficiency, started four months ago in a bid to become the personal computer world market leader by

Already, Compaq is well on the way to achieving its goal. The com-pany doubled its profits in the first half of this year. It has also continued to cut the prices of its PCs. which have stolen a lead from IBM and Apple Computer in terms of unit sales in the US and Europe for the first half of this year. Thirdquarter results are due tomorrow.

George Devlin, managing director at Erskine, has led the project team examining the company's manufacturing and delivery operation, nicknamed "make and move".

However, he acknowledges that shortcomings have recently emerged across the company's plants in producing its Elite line of notebook computers.

"We couldn't get some new products to our customers in the quantities they wanted, at the time they wanted them," he says. This, he observes, was due to "design issues" and "supply issues". The rethinking of the company's

processes from manufacturing to delivery has now gone through what Devlin calls its diagnosis phase, ending last week with a pre-

atsushita's new CD-Rom drive. unveiled in Tokyo this month,

could provide the company with a

specialised niche in the multimedia market.

data from CD-Rom to another disc, edit the

data, and read it at roughly the same speed

as from the CD-Rom. It is the nearest the

industry has come to creating recordability

The drive will read conventional CD-Rom

discs at quadruple speed and allows the

user to write, erase and rewrite up to 650

megabytes of data onto optical discs. The

drive uses a "phase-change" recording technique, which reversibly alters the structure

Matsushita is not the first to produce

such a dual-purpose drive. This February,

Sony introduced the MD (MiniDisc) data

drive, an offshoot of the MiniDisc audio

format which also combines read-write and

read-only technology in the same drive. But

where the MiniDisc has yet to develop its

market, CD-Rom has become an essential

part of every computer system that aspires to the "multimedia" catch word.

in the CD-Rom format.

The latest drive enables users to transfer

## On time and to order

James Buxton looks at Compaq's upgrade of its Scottish computer plant



Production changes have enabled the Erskine plant to manufacture mother boards and notebook computers

sentation in Houston to Eckhard Pfeiffer, Compaq's president and chief executive. Compaq plants are now implementing the conclusions

of the review. Compaq has been transformed since Pfeiffer was appointed in late 1991. Between November 1991 and November 1993 Compaq quadrupled its global output volume, producing cheaper PCs, without increasing the manufacturing space of its core factories at Houston, Singapore and

This year it has opened plants in Brazil and China.

The 540,000 sq ft Erskine plant outside Glasgow, which supplies 80 per cent of Compaq's European, Middle East and Africa market, had to make changes in manufacturing systems, some of which are now being adopted across the company.

We used to think of ourselves as a high volume manufacturer," says Devlin. "In reality we've become one only recently." Erskine's output increased two and half times between 1991 and 1993, while unit production costs fell by 76 per cent. There has been a further 60 per cent rise in output volume over the past 12 months.

Greg Petsch, senior vice-president in Houston for corporate operations, set the Erskine plant the target of cutting costs to the level of the Singapore plant, which has the advantages of more component suppliers located nearby and lower labour costs. If it succeeded it would earn the right, enjoyed by

Singapore, to manufacture its own mother boards - a printed circuit board which includes the microprocessor and other tiny components, and are at the value added end of making PCs - and to produce notebook computers.

First, Erskine's PC assembly area abandoned progressive production ines and moved to a station build system - instead of a moving prouction line, one person assembles most of the central processing unit at one station. Ken McQuade, manufacturing manager, says this gives workers more satisfaction because they partially finish a product.

Erskine then introduced a cell build system alongside station build and now uses it for 40 per cent of its output. Workers in cells of five operate as a team, carrying out all the jobs of PC assembly to boxed product ready for the customer. This enables PC testing and soft-

ware installation to be carried out in one place, cuts out travel round the plant and releases valuable . There are manpower savings as all members of the cell can be

continuously occupied.

Partly because of successful costreductions at Erskine, Compaq has installed five new production lines using surface mount technology (SMT) to produce the PC's mother board. The first line began operating in July. A month earlier Erskine began production of its

By the end of the year Erskine will have invested £17m in SMT lines, producing 40 per cent of its boards in-house. It has taken on 250 extra staff, taking total numbers to around 1,100, in addition to which there are up to 500 temporary staff.

To justify the capital cost of the new lines the Erskine plant has begun working 24 hours a day seven days a week, Devlin says the new production processes at the plant "collapse part of the supply chain"

The remaining boards will continue to be imported from Compaq in Singapore with some supplied by PCB assemblers nearby in Scotland. By 1997 Erskine hopes to make all its mother boards in-house.

Devlin admits that the Scottish plant has less control over its supply chain than Houston or Singa pore, but says 50-60 per cent of its components are delivered on a daily, just-in-time basis. Most sheet metal products come from Fullarton at Irvine, Ayrshire, and disc drives from Quantum in Ireland as well as r at Irvine.

But the flat-panel displays for the company's notebook still have to be imported by sea from Japan, requir ing a 24-week ordering lead time. "Scotland should get someone to invest in a \$1bn plant making displays and monitors," he says.

As the plant moves towards PC production to order, a short supply chain is essential and would complement its improved manufacturing efficiency. "We want to move the company from being a 'push' organisation in which we determine what we build and you the cus tomer use it, to becoming a 'pull' organisation in which we build what the customers tell us they want." he says.

year, they will be the only game in town for those who want to read pre-recorded soft-

ware and multimedia data CDs in a drive

that can both read and write the same

amount of data at the same speed. The only

alternatives available now involve two drives, a conventional CD-Rom combined

with a 650+ MB hard disc drive or one of a

few very expensive optical recorders cur-

rently produced for commercial and indus-

But in a year or two, next generation

trial applications.

**Factory** cranes get smart

Actory cranes have long the been taken for granted by industrial users, but the drive for increased productivity is prompting customers to seek more sophisticated solutions for their handling needs. Enter, the

thinking crane. The trend towards more efficient stock control, smaller warehouses and just-in-time production, calls for faster, more productive and safer cranes, which, in turn, requires sophisticated controls of electric

In March, Cheshire-based Street Crane, one of the market leaders for electric overhead travelling cranes, responded by beginning Hoist 2000, a £500,000 project to develop the use of programmable logic controllers

The aim is to develop programmable speed control for cranes, incorporating changes of speed to accelerate the movement of components around a factory or distribution centre without compromising on

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For the first time. Street has von support for its technology development from the Department of Trade and Industry, which is funding the most innovative parts of the project with £300,000.

In its most developed form, the Hoist 2000 will incorporate in-built condition monitoring to record cycles of operation and events such as overloading. This will allow users to undertake planned maintenance, detect abuse of the crane and monitor safety of operation.

The project is still under development, but Street is already selling cranes incorporating another
PLC-based initiative called
Smart Options. This embraces
two developments, SC.Smartlift and SC.Smartdrive, which enable the crane's horizontal and vertical motions to be pre-programmed. SC.Smartlift monitors the speed 25 times per

Andrew-Baxter

## Robert Patton considers a new concept in CD-Rom drives

## Driving at new speeds

developed, recordability was an essential CD-Rom arrived at a time when there were part of the concept. According to Andrew House, a Sony spokesman: "We never thought that write once was a really effective alternative."

The field of audio, video and data recording is strewn with the bones of formats that died because they did not allow consumers to make their own recordings. The compact disc is the only recording medium since the LP record that has achieved broad market success without offering recordability. That shortcoming is the principal reason for the continued market success of the audio cas-

With recording media for computer applications, the ability to rewrite data is even more vital. This makes the success of CD-Rom as a medium of distribution and storage for computer data remarkable. But When Sony's MiniDisc format was being

no better alternatives. The market needed a means of distributing large quantities of graphical data to users. Hard disc drives of comparable size were expensive. Some drives could handle removable media, but the capacity of a CD-Rom disc was 5-10 times that of a removable hard disc.

A rewritable CD-Rom drive is technically impossible at the moment. The process of recording data on a CD involves burning microscopic pits into the surface and the process is not reversible. But there are other optical disc recording

methods which combine the capacity of the CD with the advantage of recordability. Magneto-optical (MO) recording uses a

laser beam to change the magnetic state of the recording surface using a technique called Kerr-rotation. The changes are

read magnetically during playback.

Most optical disc drives for personal computer applications use magneto-optical technology. Governed by an international ISO standard, MO drives are now available with capacities of 230 MB per 3.5-inch disc and are expected to surpass 600 MB by 1996. Magneto-optical is also the technique Sony uses in MiniDisc and MD Data recorders.

A second optical recording technique, shown by Matsushita at the Japan electronics show, uses the laser beam's heat to change the phase of structure of the recording surface from an amorphous state to crystalline and back again. It is this ability change structure and reverse that is the basis of the rewritable CD-Rom/optical

It is likely that when CD-Rom/phasechange drives appear in the shops next magneto-optical drives are likely to reach the capacity of a CD. Matsushita hopes that by then its CD-Rom/phase change drive, which uses discs of 120mm diameter, will have carved out its own specialised niche in the market. In addition, CD-Rom drives might be used side-by-side with high-capac-

ity magneto-optical drives. One thing is certain: the market wants high-capacity, high-speed, rewritable media. One way or another, the market will get it. By November, Matsushita will be shipping samples of their CD-Rom/phase-change drive priced at Y100,000 (£633) and some time next year, volume shipments will

## **PEOPLE**

## BZW's new deputy chief executive

The heir appparent to David Band at the helm of BZW, Barclays' investment banking arm, emerged yesterday with the appointment of Donald Brydon, chairman and chief executive of BZW Asset Management, as BZW deputy chief

Brydon, right, who has been responsible for growing funds under management at BZW Asset Management to £50bn and spreading its international activities, takes over from John Spencer, who will be leaving BZW at the end of the

Although Band is expected to remain chief executive for at least two years, Brydon's appointment completes the reshuffle of senior management at BZW intended to prepare for a new generation of leadership in the second half of the decade.

Unlike Spencer, who com bined the role of deputy chief executive with being head of BZW's markets division, Brydon will give up his line management responsibilities to work alongside Band heading BZW's management commit-

He will be succeeded as BZWAM chief executive by Lindsay Tomlinson, the current deputy chief executive. Brydon will be non-executive chairman of BZWAM, and will also join the group executive committee which runs the Bar-

Michael Geoghegan, 41, who joined the predecessor of HSBC

Holdings over 20 years ago and

is senior vice-president of its

US operations, is taking over

from Michael Smith, 38, as

head of Midland Bank's inter-

Midland's international busi-

years, becomes deputy chief executive of Hongkong Bank Malaysia Berhard, with effect

Midland Bank was taken

over by HSBC Holdings just

over two years ago. The Hong-

kong Bank has since moved its

own people into top positions at Midland. Keith Whitson,

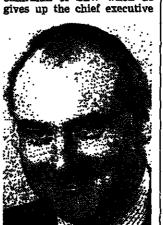
with the Hongkong Bank since

he left school, took over as

national operations.

from November 28.

clays group. Band, who has been chief executive of BZW since 1988 and has been at the helm during a period of rapid growth and diversificaction, may succeed Sir Peter Middleton as chairman of BZW when he



Brydon, who is 49, said that the firm's growth meant that "a more complex style of man-

ement™ was required. Brydon took over at BZAM in 1991. He has a mathematics degree and helped to introduce quantitative techniques there, but is modest about his skills. "I wouldn't describe myself as a mathematician. I am numer-

Midland's chief executive at

the end of March, His deputy,

chief financial officer, head of

human resources and Mid-

land's head of credit and risk

have all been drafted in from

as chief executive of Midland's

years in the post. Sheridan,

who joined Montagu in 1962, has been replaced by Keith

Harris, a former Morgan Gren-fell and Drexel Burnham Lam-

bert merchant banker who was

managing director of the corpo-

rate finance arm of Apax Part-

ners, the venture capital

Roger Downham, 50, director

of Midland Bank Property Ser- tries,

A couple of months ago

the Hongkong Bank.

ate maybe," he says.

HSBC consolidates control over

Midland Bank management

Smith, managing director of Christopher Sheridan, 51, quit

ness for the past couple of Samuel Montagu after ten

## Hook nets leading role

Ivory & Sime, the quoted Edinburgh-based fund management group, is getting a new managing director.

Allan Munro, who has held the job since 1991, is stepping down and being replaced by Colin Hook, 52, who joins from Caledonia Investments, the holding company controlled by the Cayzer family which took a 29.9 per cent stake in 1&S in

David Newbigging, chair-man, said Munro had told him earlier this year he wished to step down to concentrate on his speciality, managing fixed interest portfolios.

Munro was a member of the management committee which took over the running of I&S in 1990 after the previous managing director David Ross and four senior fund managers abruptly left.

Hook was founding manag-ing director and shareholder of J Rothschild Charterhouse Management and Global Asset Management (Asia), two Asian fund management businesses in Hong Kong. His appointment is cau-

tiously welcomed in Edin-burgh investment manage-ment circles. "Probably the first md l&S have ever had from outside the company. He could be a new broom," one observer said yesterday.

vices, recently left to join Les-

lie Clark & Partners as manag-

ing director of Leslie Clark

Project Services. His place has

been taken by John Breen,

head of group property at

The Hongkong Bank has also

extended control over manage-

ment of Midland's overseas

subsidiaries. David Dew, 38, a

senior manager with the British Bank of the Middle East,

has become chief executive of

Midland Bank, Italy, John

Wheeler, 47, senior manager

international corporate

accounts at Hongkong Bank,

takes over as chief executive of

Midland Bank, Spain; his post goes to Alan Keir, 35, Mid-land's head of consumer indus-

## O'Shea moves up at Halma group

Stephen O'Shea has been appointed to the new post of deputy chief executive at Halma Group, the fast-growing safety and environmental technology concern.

The promotion of O'Shea, 48, below, is designed to give more "central horsepower" according to David Barber, who remains chairman and chief executive. Over the past two years, the number of companies within Halma has grown from 30 to about 45.

The appointment suggests the beginnings of a succession policy Barber, 62, chairman since 1973, said no further

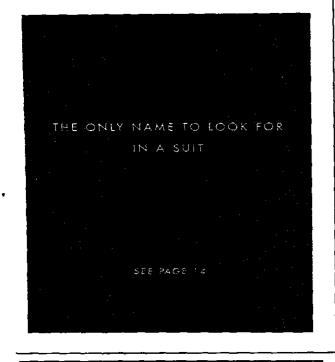


changes are planned in the short-term but added that O'Shea, in his new position. was clearly "the favourite candidate" to replace him. Barber has turned Halma

into one of the UK's most successful specialist engineering companies, with subsidiaries in environmental control, fire detection, gas detection, safety and security. In June, it announced a 20 per cent rise in annual pre-tax profits to £25.1m.

O'Shea was previously Hal-ma's divisional chief executive responsible for both the fire detection and gas detection divisions; he will have overall responsibility for these businesses and the security divi-

He is replaced by Neil Quinn and Ralph Jessop at fire detec-tion and gas detection respec-



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FINANCIAL TIMES Newsletters

icolas Poussin is one of the great panjandrums of the history of painting. Almost the exact contemporary of Rembrandt in Holland and Velasquez in Spain, he was the greatest French painter of the 17th century, indeed the first great French painter of the modern, post-Renaissance era.

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That he came out of France both figuratively and literally, spending all but a couple of years of his mature career in Rome, simply confirms his European reputation and influence. For he united within a single ocuvre the warmer, more sensuous and instinctive Italian tradition with the cooler, more cerebral tradition of the north. He also set the programme for the development of neo-classicism that ran on through David and ingres and has continued in constructivist and analytical practice and tradition, from Cézanne and Mondrian to the minimalism of our own times.

indeed the problem with Poussin if problem it be, has largely been a function of his acknowledged importance and the general serious-ness in which he is held. "Signor Poussin", said Bernini tapping his forehead, "is a painter who works up here." Such respect is all very well, but it is inclined to get in the

way of the work itself.
The scholars of art have a field day with Poussin, loving him for the recondite complexities of his references, and absorbed by the problems of attribution and chronoogical development he sets them. As for the artists, to them Poussin is the supreme organiser and constructor of the image, the supreme analyser and integrator of form and space, the supreme controller of tone and colour.

There is to his work a simple authority, assured and inevitable, that quite takes the breath away. How calm it all is, how exactly right in every gesture and expression, how entirely free of fudge and hurry and histrionic. All is worked out, definitive in its presence, ideal in its essence, artless in its apparent simplicity and completeness, yet so full of art. No wonder that Cézanne was moved to say, two centuries on, that his only wish was to do Poussin again, but from Nature", as though to suppose in all sincerity that Poussin had taken nothing from the real world, had

The thrill of the magnificent and comprehensive review of Poussin, now on in Paris, is that while it gives us these two views of this great master's work exactly - the scholar's and the artist's to both



Le triomphe de David', 1628, by Poussin: he may have been cerebral, but he was also experimental, sensuous and full of wit

## Master of simple authority

William Packer admires a magnificent review of Poussin's work in Paris

beyond each limited response to give us the whole artist. Here he is, cerebral and technical to be sure, but also free and experimental, sensuous and intuitive, and full

The drawings are an especial interest and pleasure and, quite rightly, are given due prominence – though I would question the wisdom of showing such naturally dense and absorbing material en bloc, most of all the early drawings that fill the first room, for they inevitably create a traffic jam of visitors at the very outset of the show. That said, they are not to be missed, for they are not only extremely rare, delicate and beautiful things but they offer a peculiar

insight into Poussin's working

Here, lightly and freely stated, we see the first intuitive registering of his pictorial ideas, with each then radically simplified, almost to modern eyes to the point of abstraction shades of Cézanne, Picasso, Bomberg - by the application of a stark chiaroscuro wash for the shadows. Thus are the essential structure and dynamic of each composition established, here a battle, here a bacchanale, reduced to a set of vigorous directional strokes.

The paintings take us through the full range of the work, from the earliest mythologies and history paintings before the migration to Rome, to the mysterious and elegiac

landscapes with cities and figures of the later years. Poussin had stopped at Venice for a period on his way to Rome, and the influence of the idealised arcadian vision of such as Bellini, Giorgione and the young Titian is clear enough. So much is known and recognised, but always rather in the letter than the spirit. Here it is the evident sensuousness of Poussin himself, Venetian perhaps in origin but transformed by his own clear purposes and intellect, that comes as the glorious sur-

So much for the stoical Poussin, looking rather to the classical than to the Christian model for his austere moralities - yet how lightly his nymphs and goddesses flirt and turn, or stretch and dream beneath the trees. And how beautifully seen they are, and so lovingly drawn and painted. The two great sequences of the sacraments are shown complete, and in the earlier "Extreme Unc tion". from Belvoir Castle, the dying man lies surrounded and urgently attended on the bed. Alone to the right, the pretty serving-maid slips out to fetch more wine, turning to smile at us as she goes. Life goes

Nicolas Poussin - 1594-1685: Galeries nationales du Grand Palais. Paris 8me, until January 2, then on to the Royal Academy, London. Sponsored by LVMH/Moet Hennessy: Louis Vuitton

Opera in concert/David Murray

## An enlightened 'Euryanthe'

Orchestra of the Age of Enlightenment, the 'associate orchestra", for many enlightening performances. On Sunday, however, Carl Maria von Weber's opera Euryonthe came up like a revelation: who would have believed that it could be so stirring? Happily, the Queen Elizabeth Hall was packed out with the OAE's devoted audience - but it is a thousand pities that Excryanthe is not running for two or three evenings more. The "Deutsche Romantik" series will be lucky to strike gold again with

Euryonthe came two years after Weber's Der Freischütz, and less than three before his Oberon for London and his untimely death bere (he was not yet 40). Unlike the popular folk-tale *Freischütz* it has an old-fashioned chivalric plot. generally agreed to exceed the limits of preposterousness. (The story is so batty that even the programme was muddled about just whose suicidal sister's ghost eeded laying.) That said, Weber set about animating every moment with direct, passionate feeling and a wealth of original resource.

That was what we heard on Sunday: not just a performance that was often thrilling, but a proclamation that Euryanthe really is a magnificent operatic score. Everyone who collaborated in it was on peak form. A special mention is due to the bass-baritone Nicholas Folwell, who had learned the role of the villainous Lysiart at very short notice, and delivered it with grim confidence and a torrent

of lustily rolled "r"s. The hapless heroine berself was Christine Brewer, who explored the surprising range and depth of her part with exquisite sensitivity. Nicely matched against her. Elizabeth Connell lent her familiar, formidable powers to the wicked Eglantine. Jon Garrison was a stylish hero. Adolar, in the lesser role of the King, young Nathan Berg's beautiful baritone reminded us that he is a star in the making; and in faceless small parts Elizabeth Woollett and Timothy Robinson made positive marks.

The hero of the evening was nevertheless Mark Elder, conducting the OAE with tireless energy and imagination. Not only the main numbers, but all the fluid "recitatives" – misleadingly so called, for scarcely any of them are mere declamation over chords: Weber – and Elder – shaped them lovingly, instilling them with moment-to-moment drams and dressing them often in unheard-of

orchestral colours. In all that, the OAE's "original"-style instruments came superbly into their own. Wonderful vox humana bassoons, dewy flutes, a clattery hubbub of horns. trombones with a hoarse, rousing blat that never domineer over the tutti sound. Perhaps half the problem with Euryanthe in this century has been that Weber understood his own instruments so erfectly, and deployed them so brilliantly, that modern playing-machines can never do hir more than dusty justice.

Sponsored by the John S. Cohen

Music Theatre/Paul Driver

## The Poisoned Chalice

he one virtue of The Poisoned Chalice, an opera scripted and composed by Tony Britten, being premiered by Music Theatre London at the Drill Hall, is brevity. Its two acts are not much more than half an hour apiece. The interval is on you just as you feel the need to run out screaming into themselves to go back in will be pleased to find that this is unusual among bad operas in lacking the defect of long-windedness.

Indeed, its concision is like a slap in the face. The four characters in brilliant white process at the start on to Simon Higlett's tilted silver disc, deliver some solemn choral thoughts, and embark on what will be very many individual circlings of the platform, singing as they walk, taking care to avoid the little tree, and all involved in a drama that has evidently been going on for some time before we arrived. Gradually we settle into the idea that this is a story and not just a bawling contest, and recognise old friends in Arthur, Guinevere,

Lancelot, and Morgan Le Fay. For it is the "Matter of Britain" that Tony Britten says has always. since childhood, drawn him on and driven him to pen the doggerel libretto and doggerel-like score of this Chalice. His feeling for prosody is remarkable - extra syllables just crammed in where necessary and the music stretched to fit. What he says is even worse than how he says it: utterances of pure unmisgiving bathos which

contaminate you with the deadly,

confident clasp of had art. Britten – an artistic director of Music Theatre London, along with the evening's stage-director Nicholas Broadhurst – has composed much for television and films, but the Chalice's music has scarcely the inventiveness of a soap-powder jingle. It was performed by a quartet consisting Rutherford with flute, cello and percussion players at least two of whom were not the musicians named in the programme. Perhaps they had bolted in horror at an insipid tonal idiom - tonal, that is, with a few obligatory rancous gesturings – which seemed to my unlucky companion like the Hecklers' answer to the Birtwistle opera Gawain they so deplored.

It must have been a hard job finding the singers, too. Swedish soprano Sara Jungberg's Morgan at least had some sort of voice. Mary Lincoln's Guinevere tried hard to make us believe she had one. Both parts, alas, required considerable vocal prowess. Billy Hartman's Lancelot was too stiff, Andrew C. Wadsworth's Arthur not stiff enough. He just slouched there in his burlap with the cool self-possession of someone about to order a drink. At the opera's end each character is resolved into an allegorical single word -"Stability" (Arthur), "Honour" (Lancelot), "Power" (Morgan), "Love" (Guinevere) – which they keep repeating. "Love" has the last word. But I should add "Vanity". This is a show that should never have reached the boards.

## Theatre/Malcolm Rutherford Aurélie, My Sister

ncest may be rife in Quebec: even if it isn't, it is taken remarkably calmly when it occurs and can be beneficial to family relationships, or so we learn from the new production at The

Aurėlie, My Sister, by the prolific French Canadian, Marie Laberge, is beautifully acted, meticulously directed and has one of the most lovingly detailed sets ever seen in this theatre. It is also very well written. But it is not much of a

The plot is complex and tends to unfold backwards. There are only two characters: the 45-year-old Aurélie and the near 25-year-old Cat, who could be her daughter. Their relationship is close and friendly. Cat is having an intensely physical affair with a married man whom she hopes will leave his wife. She tells Aurélie all about it. In what seems a fairly banal development the man decides to spend more time with his family.

Yet this is only a teasing, though longish, start: almost a decoy, just as Hitchcock and Truffaut have

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been mentioned in the early dialogue. Cat is not Aurélie's daughter: she is her young sister. She was conceived by their father in a fit of incest with Aurėlie's other sister. Charlotte. The latter has packed her bags and gone off to sculpt in Italy, leaving Cat in Aurélie's care.

Most of this comes out about half way through when Cat and Aurėlie return from the father's funeral in small town Quebec.

If the play has a coherent theme, it is that life in French Canada can be petty and bigoted, but that human relationships can survive in unexpected forms. Aurélie, who is divorced, says that she was brought up with a terror of God and sex. She declares herself a pagan like her father, but adds that "in this neck of the woods, you don't have to be a Catholic to have all the symptoms".

Nevertheless, Quebec seems rea-sonably affluent. Aurélie and Cat are seldom less than well dressed and the friendship between them is civilised - closer perhaps than between a real mother and daughter. One can just about read into the text a political allegory: either



Great performances: Carol Starks and Sheila Reid

French and English-speaking Canada should stick together despite their differences, or that Quebec should get on with the separation. The flaw is the absence of action.

Aurélie, My Sister is a peculiarly passive play. It might be better as a novel: certainly it has possibilities as a movie where the camera could range to scenes which are here only referred to in the dialogue. Given the text as it is, however,

nothing can detract from the performances of Sheila Reid as Aurélie and Carol Starks as Cat. Both have a quiet dignity, even beauty: neither has much of a chip, despite the circumstances. The set, full of old books, rag dolls and all the paraphernalia of half a life-time, is Aurélie's conservatory, plants and vege-tables to the fore. She seems content to be there, and so does Cat. Laurence Boswell directs. I do not

wholly like the technique of pulling a semi-transparent curtain round the stage between scenes, especially when nothing much is changed, but it does have the effect of suggesting a kind of therapy. There are characters who need to be treated carefully, wrapped and unwrapped: otherwise they might go mad.

Gate Theatre until November 4. (071) 229 0706

INTERNATIONAL

## ■ AMSTERDAM

Concertgebouw Tonight: Serge

Baudo conducts Netherlands Philharmonic Orchestra in works by Tchaikovsky, Prokofiev, Messiaen and Debussy, with violin soloist Leonidas Kavakos. Tomorrow, Thurs: Riccardo Chailly conducts Royal Concertgebouw Orchestra in Stravinsky and Brahms (preceded tomorrow by a free lunchtime concert). Tomorrow (Kleine Zaal): Frankl, Pauk, Kirshbaum trio. Fri: Chailly conducts Schoenberg. Zemlinsky, Ketting, Stravinsky and Rayel, Sat, Sun afternoon, next Tues: Ken-Ichiro Kobayashi conducts Netherlands Philhermonic Orchestra in Beethoven, Grieg and Tchaikovsky. Sat (Kleine Zaal): Thomas Zehetmair violin recital. Sun: Maria Joao Pires piano recital (24-hour information service 020-675 4411 ticket reservations 020-671

Muziektheater Tonight, Thurs, Sun afternoon, next Wed and Sun: Graeme Jenkins conducts final performances of Jürgen Filmm's production of Le nozze di Figaro,

with cast headed by Joan Rodgers and Dean Peterson (020-625 5455)

## BASLE

Stadtcasino Tomorrow, Thurs: Theodor Guschibauer conducts Basle Symphony Orchestra in Elgar's Violin Concerto (Dmitri kovetsky) and Beethoven's Sixth Symphony (061-272 1176)

## **■ BRUSSELS**

Monnaie Tonight, Sat: Antonio Pappano conducts Achim Freyer's new production of Tristan und solde, with Ronald Hamilton and Anne Evans (02-218 1211) Théâtre National Tonight, tomorrow: Tony Kushner's play Angels in America - first part: Millenium Approaches (02-217 0303)

## **■ CHICAGO**

MUSIC Chicago Symphony in tonight's concert, James DePreist conducts works by Stravinsky and Mozart, with plano sololat Misha Dichter. Thurs, Fri, Sat and next Tues: Michlyoshi Inque conducts Mozart arias and Mahler's Fourth Symphony, with soprano Sylvia McNair (312-435 6666) Lyric Opera Mirella Freni and Placido Domingo star in Giordano's Fedora tonight and Fri (continues till Nov 10). The Rake's Progress can be seen tomorrow and Sat (till Oct 28), with a cast headed by Jerry Hadley, Ruth Ann Swensen, Samuel Ramey and Felicity Palmer (312-332 THEATRE

Angels in America: the national

touring production of Tony Kushner's two-part epic is directed by Michael Mayer, with Jonathan Hadary as Roy Kohn (Royal George

312-988 9000) The Sisters Rosenswelg: Wendy Wasserstein's hit Broadway comedy about the mid-life reunion of three Jewish sisters from Brooklyn (Shubert 312-902 1500) The Winter's Tale: Shakespeare

Repertory has the Chicago market comered on productions of the Bard's works. Artistic director Barbara Gaines has a go at his late romance. Opens on Fri for six weeks (Shakaspeare Repertory 312-642

 A Clockwork Orange: the American premiere of the stage version of Anthony Burgess' classic novel seen at the RSC several years ago. Terry Kinney directs a cast that Includes Chicago favourite K. Todd Freeman. Till Oct 30 (Steppenwolf 312-335 1650)

 The Who's Tommy: the touring version of the Broadway hit musical about the pinball wizard who becomes a media sensation. Till Oct. 30 (Auditorium 312-902 1500)

## **GHENT**

de Vlaamse Opera Tonight, Thurs, Sat, next Tues and Sun; Silvio Varviso conducts Guy Joosten's production of Don Giovanni, with cast headed by Jeffrey Black, Hillevi Martinpelto and Patricia Racette (09-225 2425)

## THE HAGUE

Dr Anton Philipszaal Tonight Samuel Friedman conducts Moscow State Radio Orchestra in works by

Tchaikovsky and Borodin. Thurs: Netherlands Chamber Chorus In works by Rakhmeninov and Ligeti. Next Mor: Philippe Entremont conducts Netherlands Chamber Orchestra in Webern, Mozart, Berg and Haydn, with violin soloist Olivier Chartier (070-360 9810)

## **■ ROTTERDAM**

De Doelen Thurs: José Carreras. Fri: Roberto Paternostro conducts Württemberg Philharmonic in works by Weber, Grieg and Beethoven, with soonano Kari Lōvaas, Sat. Sun afternoon: Eri Klas conducts Rotterdam Philharmonic Orchestra in Bizet and Schedrin (010-217 1717)

## ■ VIENNA

 The Danish Radio Symphony Orchestra gives concerts tornorrow and Thurs at the Musikverein, with repertoire including Nielsen and conducts the Vienna Symphony Orchestra in Mahler and Musorgsky/ Ravel on Sat, and Neeme Järvi conducts the Gothenburg Symphony Orchestra on Sun morning and Mon evening in works by Sibelius, Part, Stenhammar, Tubin and Alfven (505 8190)

 Cecilia Bartoli gives a song recital on Sun at the Konzerthaus (712 1211)

 Vienna's annual contemporary music festival, Wien Modern, opens on Sun and runs till Nov 28. This year's programme focuses on Morton Faldmann, George Crumb, Helmut Lachenmann, Karl Schiske and Günter Kahowez (7124 6860) The Staatsoper is closed for

technical alterations till Dec 14 Repertory at the Volksoper includes a new production of Nicolai's comic opera Die lustigen Weiber von Windsor (51444 2959/51444 2969/ 513 1513)

 Riccardo Muti conducts seven performances of Roberto de Simone's production of Cosi fan tutte at Theater an der Wien, starting Oct 30 (58885)

## **■ WASHINGTON** MUSIC/DANCE

 Pennsylvania Ballet is in residence this week at Kennedy Center Opera House. It gives the premiere tonight of a new work by David Parsons, and repertory also includes works by Balanchine and Paul Taylor (202-467 4600), David Zinman conducts the

Baltimore Symphony Orchestra tomorrow and Wed at Baltimore's Joseph Meyerhoff Symphony Hall. The programme includes Barber's Violin Concerto (Anne Akiko Meyers) and Brahms' First Symphony (410-783 8000)

 Michael Stem conducts the National Symphony Orchestra on Thurs, Fri and Sat at Kennedy Center Concert Half. The programme includes Ravel's Piano Concerto in G (Alicia de Larrocha) and Dvorak's Sixth Symphony. Seiji Ozawa conducts the Boston Symphony Orchestra in works by Takemitsu, Brahms and Mozart on Sat late afternoon, with piano soloist Ursula Oppens. Pinchas Zukerman directs the English Chamber Orchestra on Mon in Bach, Haydn, Mozart and Dvorak (202-467 4600)

Defending the Caveman: a

one-man show written by and starring American comedian Rob Becker, using humour to help define the differences between the two genders. Till Sun at Warner Theater

(202-432-SEAT) Old Times: Washington Stage Guild presents Harold Pinter's three-hander about power within relationships. Opens tomorrow (202-529 2084)

 The Foreigner: Joe Sears and Jaston Willams star in Larry Shue's comedy, directed by David McKenna. Till Sun at Ford's Theater (202-347 4833) Henry IV: this adaptation of Parts I and II of Shakespeare's

history plays is directed by Michael

Kahn. A Shakespeare Theater production at the Lansburgh. Till Oct 30 (202-393 2700) A Perfect Ganesh: Terrence McNally's play about two New England matrons on a personal quest journeying through India. Till

Oct 30 at the Kreeger (202-488

3300) The Cherry Orchard: Chekhov's play is directed by Irene Lewis at Center Stage. Till Oct 30 (410-332) 0033)

## **ZURICH**

Opernhaus Tonight, Thurs, Sat: Nikolaus Hamoncourt conducts the Ponnelle production of Entführung, with cast headed by Eva Mei and Deon van der Walt. Tomorrow, Fri; Raif Weikert conducts Ruth Berghaus' new production of Katva Kabanova, with cast headed by Ana Pusar and Peter Straka. Sun: La Cenerentola, Mon: Carlo Bergonzi song recital (01-262 0909)

ARTS GUIDE Monday: Berlin, New York and Tuesday: Austria, Belgium,

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pects looked bleak. Industrial production and gross PERSONAL domestic prod-uct had fallen

dramatically, inflation was running at almost 20 per cent a month and there were plans for a costly monetary union with Belarus.

Critics said the government had given up on economic reform, an assertion seemingly given new life last week by the dive of the rouble to almost Rbs4,000 to the US dollar.

in fact, the Russian authorities have implemented an unprecedented austerity programme during 1994: policy-makers have responded to shortfalls in revenue with severe expenditure cuts, and high real interest rates have been maintained.

As a result, inflation is at its lowest levels since the economic reforms began and lending by the central bank has been so low that Russia has for the first time met its IMF monetary policy targets. At the same time, economic recovery is under way. One reason for the critics'

gloom is the fall in government revenue. Budget revenue has fallen from 29.5 per cent of GDP in the fourth quarter of 1993 to 26.3 per cent in the first half of 1994. This was due to changes in legislation, a profit squeeze as GDP fell and real wages stayed constant, and an

increase in tax evasion. However, the response to low revenue was not the widely-expected hike in central bank lending to government. Instead, government expenditure was cut from 35.3 per cent of GDP in the fourth quarter of 1993 to 32.8 per cent in the first

This is, by any standards, a serious fiscal austerity pro-gramme. It has been matched by successful efforts to

Another argument raised by critics is that monetary policy has been "loose" because the central bank is lending to the government at 10 per cent a year, well below market rates.

However, the amount of cen-tral bank lending to the government is restricted by credit ceilings. Because of these, quarterly central bank lending to government fell over the first half of 1994 from 8.8 per

cent of GDP to 7.9 per cent. Meanwhile, lending to other countries in the Commonwealth of Independent States has stopped. And lending to

## A case of cut and thrust

Jochen Wermuth on Russia's record of economic management



Viktor Chernomyrdin has implemented austerity measures

record low and could be as lit-

tle as 3 to 5 per cent of GDP if some borrowing is replaced by

sales of governmental currency

Thanks to such restrictive

monetary and fiscal policies,

the Russian authorities have

met the IMF monetary base

target - even with the spring's

soft credits and additional bor-

of the rouble, annual inflation

this year is not expected to

exceed 180 per cent, down from

over 800 per cent in 1993 and

over 2,400 per cent in 1992. Monetary growth at the end of

1994 could average 3 per cent a

month - providing ideal condi-tions for stabilisation in 1995.

In spite of this restrictive policy stance, unemployment remains low and a recovery

seems under way. Official GDP

for August 1994 was 20 per cent

higher in constant prices than in January, and 12 per cent

higher than in August 1993. Industrial production troughed

in May 1994 and has grown by

around 1 per cent a month

espite the higher

inflation rates of

recent months and

the recent collapse

rowing in the third quarter.

erves, as planned.

commercial banks is at high real interest rates, since the central bank has maintained high real refinance rates since

The last batch of central bank credits at low interest rates - the so-called "soft cred-- was allocated in the spring. Since then, soft credits have been counted as part of federal government expenditure and are no longer a source of monetary expansion.

True, government borrowing from the Central Bank of Russia rose in July and August. But this was a deliberate move. The government is required by the parliament to make annual expenditure equal to the sum of tax revenues and approved borrowing. In 1992 and 1993, pressures from the former state enterprises and farms led to high levels of borrowing in the fourth quarter and a resur-gence in inflation. This time, the government borrowed more in the third quarter to

head off lobby pressures.

By September nominal borrowing had fallen to half the level of August. The October figures, in line with government targets, are similarly low. Officially agreed credit limits for the fourth quarter are at a since. These figures are sup-

What prevents the country from taking off even faster are outstanding reforms in the energy and agricultural secerful lobbles and enterprises, and the failure to make enterprises bankrupt when they have no future.

ported by statistics on energy consumption and evidence of a

construction boom.

The lack of an institutional framework for investors, such as registers to establish title to land, also means there is a lack of capital. Domestic saving has been low and Russia has remained a net exporter of capital. The government has been working on macro-economic policies for the next 10 years to pay back foreign debt. These include commitments that should help to attract long-term investment

Furthermore, Mr Victor Chernomyrdin, the prime min-ister, rejected the first budget and monetary programme for 1995, which aimed at an average inflation rate of 5 per cent a month. Instead, on October 9 the government, supported by the president, set a budget defi-cit target for 1995 of 4.5 per cent of GDP. The government plans to finance a large part of this deficit by issuing Treasury bills and with what could well be the last significant injection of foreign credits, rather than through central bank lending to government. At the same time, a stable exchange rate is to be maintained.

As a result of these plans, inflation should be down to less than 1 per cent a month by the second half of 1995 and annual inflation is forecast at 27 per cent for 1995. This is the culmination of a two-year pol-icy of a gradual but substantial reduction in inflation.

Given economic fundamentals, the government's tough policy, and the increase in the central bank's refinancing rate, the recovery of the rouble after its fall last week is no surprise. The real exchange rate is, in fact, no lower than it was in December 1993.

However, last week's rapid devaluation is a warning to policy-makers against any return to loose policies. Genu-ine exchange rate stability is thus more politically feasible.

Russia is on the brink of moving beyond crisis mana; ment and could soon be a G8 country with low inflation, low inflationary expectations and low medium-term interest

Jochen Wermuth, of Balliol College, Oxford, is an adviser to the Ministry of Finance of the Russian Federation.

## Joe Rogaly

## A royal pipe-dream

Nothing is sacred, least of all

religion. There is some tut-tut-

ting when a clergyman is dis-

missed for professing a lack of

belief in God. Several of our

television comedians appear to

be motivated by a militant,

even spiteful, atheism. The end

of deference may be welcome,

but in its place has come - a

void. We revel in titillating

accounts of the sexual misde-

meanours of this or that gov-

ernment minister and affect

surprise when we hear that

various officials, elected and

appointed, appear to have been

so. We live in the kingdom of

Grab, an empty

in which, when

dies

caught.

financial fid-

revealed, some

wonder

whether the

misdemeanour

or the getting

In such a



Diana" story is the opium of the people. attracts immense inter-

countries, but at home it does more. In Britain, gossip about the private life of the scions of the House of Windsor is an obsession of the tabloids, a quickseller for the serious newspapers, dominant on the airwaves, an easy topic of conversation, the stuff of fantasy and scribblers' invention, marginal, fluffy, inconsequential - and,

as such, a substitute for thought, a painkiller for a bewildered national psyche. It is, in short, a constant distraction from genuine problems of governance, evidence of a pol-ity thrashing around for a sense of purpose.

The latter is the serious element in an essentially unser-ious flow of media pap. It may be that this flow has latterly been stimulated by the heir to the throne and his estranged wife, but that is beside the point. The British people approach the end of the 20th century as uncertain about their role in the world as at any time since the end of empire. Historians will be justified if they label it the century

of moral decline The final decade is already looking inglorious. A prize for literature is awarded to a "novel" widely acknowledged to be illiterate. A fund is set up to spend the proceeds of a national lottery on celebrating the millennium, but no one, not even the minister in charge, has articulated a clear idea of what that means, or what there is to celebrate. At a conference of the governing party, a yob makes a successful bid for the front pages by

lifting his kilt for the cameras. We affect to be shocked, but

the wrong person," came the reply. "I give little thought to these things. All we need to know is that most voters are monarchists. Nearly all of them hold the Queen in high regard. End of story." Mr John Major concurs. "I

think the monarchy has got its roots sunk so deep in the affairs of the people of this country that it is very sound and secure," the prime minister said yesterday. His confidence is supported by precedent. Two centuries have passed since James Gillray's caricatures savagely attacked lining their own pockets, or the extravagance and promis-allowing their relatives to do cuous behaviour of the "voluptuary", the

then Prince of

vived. Nearly

the abdication

of Edward VIII

upon him when he declared his

intention of

marrying Mrs

Crown

sur-

Charles and Diana Wales. The have been subsumed into the 60 years have production line of flown by since the media; they have become its primary raw material

Wallis Simpson, the American divorcee. world, prattle about whether His niece is still on the throne. the monarchy will survive the There is no constitutional war of the royal books is mere reason why the Queen's eldest escapism. Prince Charles and Princess Diana have been subson should not succeed her. sumed into the production line That he shall do so is, as it happens, the essence of the British constitution. The of the media; they have become its primary raw material, second only to paper. Prince's qualification for the They are the prince and prinjob is that he is of his mother cess of publishing. Their origiborn. His private behaviour is irrelevant. This is not a change nal image, that of the shyly of mind on my part. I have spooning couple, was a roman-tic fiction in the preparation of which they connived. They are of a federal republic of Britain. on the ground that the executive hides behind "crown prenow assisting in the manufacture of the salacious prose that rogative" as an excuse for mismay diminish or possibly even government. Hanging everything on the tag of the Does it matter? At the Consupposed royal command is a servative party conference in Bournemouth last week the licence to print honours, a per-

mit for the exercise of patronage. Yet I would cheerfully salute

the accession of Prince Charles if the throne were first to become detached from the executive, made contractually subservient to the people, and defined in a written constitu-tion. It might then usefully be slimmed down, becoming a "bicycle monarchy" as in northern Europe. It would certainly benefit from a period of reticence about itself, as the Duke of Edinburgh intimated yesterday. In such clearly-defined circumstances, the role of an hereditary king as a focus of loyalty to the nation - that is, of all of us to one another could as well be fulfilled by Prince Charles as anyone. Better that, as they said at the recent Liberal Democrat conference in Brighton, than President Tebbit or, heaven help us, President Thatcher

Meanwhile Queen Elizabeth II is more likely than not to reign well into the next century. The first queen bearing her name ruled during a flowering of English culture; hers were years of national glory. The second Elizabeth, possessed of few powers, has been less fortunate. She has been able to reign, but not rule. She has been steadfast and dutiful, but her governments have not covered themselves in glory. They have left the nation uncertain about whether it belongs to the continent to

which it is attached. As a nuclear power and per-manent member of the security council, Britain retains the vestiges of its "great" past, but lacks the self-confidence to participate wholeheartedly in the affairs of the European Union. We cling to illusory "certainties", such as "sovereignty" and the idealised Victorian royal family. We know that reality lies elsewhere. Some perhaps most - of us cannot bear the knowledge. To get through the night, we tune in to "Charles and Di," and go

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SEI 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## Strength in unity is only **UK** option

From Mr J H de Roat

Sir, Norman Lamont's thoughts concerning the UK and the European Union place him some time in the first decade of this century ("Lamont says it may be necessary to pull out of EU", October 12). He need only look beyond his small island to see that the UK will wither and shrivel if it cuts itself off from the conti-

The economic power centres of the world are shifting to the east. China's enormous potential is only beginning to be

Among the great advantages China has over western Europe is that it has so much to do in order to modernise. Not having progressed at the rate of the west. China can make use of the latest technologies without having to consider a loss on its investment in earlier technol-

ogy. China will indeed make its "great leap forward". Without strong competition from a united Europe and a reinvigo-rated North America, China will be far ahead by the middle of the new century.
In the face of the progress of

China and some of the other countries in East Asia, the UK is not in a position to go it alone. Like the rest of Europe (of which, like it or not, it is a part), the UK will have to find strength in union.

The only other alternative I can see is for the UK to halt all further development and to turn the whole country into a museum. In 20 years or so the nation and its people could make a decent living by charging admission. How quaint it would be. J H de Raat

Kantershôf 54, 1104 GC Amsterdam, The Netherlands

## University reform proposal is recipe for destruction

From Prof Tony Pointon.

destroy one or both of them.

senior minister at our dining-

table was asked what he made of it all. "You are addressing

Sir, Your editorial, "University reform" (October 11), while being music to the ears of certain pressure groups who would subordinate a rational system of higher education to self-interest, will probably be quoted (and - God help us used) to wipe out the UK system of higher education as an international competitor.

You suggest "a designated 20 or so universities" should be funded to do research, while others would be restricted to being teaching institutions. What this would mean is that there would be 20 universities espoused by the Financial Times - although there is absolutely no logic advanced for it.

Of course, many universities are currently inadequately funded to carry out their functions as places of teaching, learning and scholarship. The FT's contribution appears to be to propose they are destroyed before they can col-

Tony Pointon, chairman. committee of chairmen of research committees of new universities. University of Portsmouth, in the UK. That may be an aim | Portsmouth POI 2UP

## Basis for manufacturing's pleas survives intact

From Mr John Wells. Sir, Peter Robinson (Letters, October 11) errs in appearing to equate fixed investment in

plant and equipment (p and e) with manufacturing investment in p and e. In fact, manufacturing now only accounts for 28.5 per cent of total p and e investment in the UK economy, down from 48 per cent in the early 1960s; the services. broadly defined to include internationally exposed and sheltered segments, account for the majority of economy-

wide p and e investment. UK manufacturing's miserable record in p and e investment can be gauged from the fact it now accounts for just 1.6 per cent of gross domestic product - against 3.2 per cent in the early 1960s. In absolute terms, UK manufacturing's p and a investment is no higher | Sidgwick Avenue, (at constant prices) than 20 | Combridge CB3 9DD

years ago, but then output is no higher either.
The UK's comparative investment record internation-

ally can best be gauged from the following data of the share of total manufacturing investment as a percentage of gross domestic product (averages for 1980-1992): UK: 2.1 per cent; Germany: 3.1 per cent; France: 3.2 per cent; Italy: 4 per cent. Quite why UK manufactur-

ing stagnates despite the recent sharp recovery in profits remains a mystery. But the statistical basis for the industrial associations' pleas for fiscal incentives survives Peter Robinson's stric-

tures intact. John Wells. University of Cambridge Fac-

ulty of Economics and Politics. Austin Robinson Building,

## Clear and velvet tones at their best

From Ms Gail Chan. Sir. I am writing to protest a your music critic's review of Kathleen Battle's recital with

the Philharmonia ("Battle with the Philharmonia", October 14). To say that her rendering of Mozart's Exultate Jubilate was "a boring vocal display" is both grossly unfair and pitifully inaccurate. It is well known that Miss

Battle does not have a loud booming voice. I was sitting quite far back in the hall and I was apprehensive that I might not hear well. However, I found that I could hear her quite clearly.

The piece was sung with on abundance of subtle tone colours. Far from "one mezzoforte-ish dynamic" she maintained a beautifully controlled and sustained fortissimo which was never harsh and strident. She sang with an apparently effortless mastery of the music which left the audience in a state of joyful bliss - as was evidenced by the prolonged and enthusiastic

applause.
It is to Andre Previn's credit that he composed his song cycle Honey and Rue for Battle's voice. The result was truly magnificent. We were treated to a display of her velvet tones at their best, full of light and shade, and great warmth: a heavenly interpreta-tion with its high point the fourth song "Do you know him" which, far from calling for "earthiness", requires and was rendered with a beautiful timeless ethereal quality. Only a very unmusical person could fail to be moved.

It is indeed sad when such great artistry is so ill received and unrecognised. Gail Chan,

31 Norland Square, London W11 4PIT

## Foreign entrants to Italian retail market will need to seek partner

From Mr Alan D. Gordon. Sir. Neil Buckley's article, "Retailers" global shopping spree" (October 13), cited Italy as one of the "tough three" markets. We can confirm that it is "tough", especially for for-

but "à l'Italienne". We have made four large studies of food retailing in Italy - the first in 1980 when the balance of power was firmly with producers and their problem was physical distribution costs in serving the large market. Those of 1987 and 1989 showed some increasing retailer toughness, but multinational producers still

ltaly than in France or Ger-many due to the semi-collusive mainly due to bureaucratic relationship with retailers to maintain high prices.

Our new study, just published, shows that, while pending legislative changes will eigners. It is changing rapidly, probably allow the big to get bigger, the basic objective of large Italian retailers is to keep out any large foreign invasion (as in Spain) and ensure foreign entrants come in via a partner (for example, franchis-

ing) or on a joint venture basis. There are examples of acquisition by Carrefour and Tengelmann, but the candidates are small and individually give little position,

mainly due to bureaucratic obstruction. Foreign discount chains with small units are making some progress because of the lower threat to local interests.

The Coop is the largest retailer in Italy and voluniary chains and buying groups have a strong presence. The inte-grated "five sisters" (Rinascentre, Standa, GS. Esselunga and Pam), plus the Coop, currently only hold 21 per cent of grocery food sales.

We forecast, however, that the top five groups (all categories) will hold 40 per cent in

got 20:30 per cent higher prices Auchan has been trying to Producers are meeting grow-for their grocery products in start from scratch in Italy and ing demands for discounts, lon-

ger delays in payments, increased publicity costs, and tougher logistics requirements. while private label is starting to gain momentum. While Italian retailing is concentrating, potential foreign retailer entrants, to be successful, will have to find a suitable Italian partner.

It is not for nothing that in the cold-war days Italians boasted they would have converted invading Russian soldiers into Italians in 12 months.

Alan D Gordon, chairman and managing director, Girag, 6 chemin de Vercy 1208 Geneve,

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## FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Tuesday October 18 1994

## Weaker rule in Germany

was uncomfortably narrow. The centre-right coalition's 10-seat Bundestag majority appears insufficient to guarantee passage of tough measures needed to improve Germany's economic structure, particularly cuts in public spending and taxation, and

social security reform.

Modest recovery from recession will continue, but so will voter disgruntlement caused by cuts in real incomes needed to correct post-unification economic imbalances. Mr Kohl's domestic prob-lems may divert his attention from necessary efforts to show German leadership over European integration.

Mr Kohl owes his fourth term in office to his considerable electioneering skills, mistakes by the opposition Social Democrats (SPD), and the innate conservatism of the German electorate, which since the war has never ejected an incumbent government. None the less, there is a risk that the coalition between the Christian Democrats (CDU) and the liberal Free Democrats (FDP) may not last the full four-year parliamentary mandate.

The share of the vote registered on Sunday by both senior parties, the CDU and SPD, was well below the average of the past 30 years. Voting fragmentation, reflected in the strength of the Greens and reformed east German communists (PDS), will make the future policies and alliances of govern-ment and opposition prone to com-plex political arithmetic.

Reflecting the shrunken Bundestag majority and the Social Democrats' hold over the Bundesrat, which has a veto over tax legisla-

Despite the robust confidence displayed by Chancellor Helmut Kohl yesterday, his margin of victory in Sunday's German elections tion, the coalition's power to introduce radical legislative initiatives has now crumbled. It is true that the coalition's power to introduce radical legislative initiatives has now crumbled. It is true that the coalition's power to introduce radical legislative initiatives has now crumbled. It is true that the coalition's power to introduce radical legislative initiatives has now crumbled. It is true that the coalition's power to introduce radical legislative initiatives has now crumbled. It is true that the coalition's power to introduce radical legislative initiatives has now crumbled. It is true that the coalition's power to introduce radical legislative initiatives has now crumbled. It is true that the coalition in the coalition i Chancellors Willy Brandt and Helmut Schmidt survived two past legislative periods with similarly slender majorities. However, in 1969 and 1976 the Social Democrats' comparatively fresh coalition with the Free Democrats was probably in a fundamentally stronger state than Mr Kohl's 12-

year-old government.

Much will depend on how the
Free Democrats adjust to the loss
of power and prestige caused by a string of election setbacks. Mr Kohl's recent rejection of his coalition partner's calls for tax cuts indicates the FDP's difficulties in maintaining its traditional high profile as an exponent of free market policies. On the other hand, the FDP leadership, knowing that many voters now see it as little more than an ersatz CDU, seems unlikely to risk a trial of strength with Mr Kohl by threatening to defect to the SPD in mid-term.

The questions facing the SPD under its chairman and future parliamentary floor-leader, Mr Rudolf Scharping, are still more painful. It has lost four successive general elections, and leadership divisions during the recent cam-paign have left fresh scars. Mr Scharping's task is to mount an energetic yet constructive chal-lenge to Mr Kohi, particularly over economic policy, that will strengthen the SPD's credentials as a party of government. Given the SPD's strength in the Bundes rat, the new government in Bonn will in some ways be behaving like a de facto Grand Coalition. If Mr Scharping can use his leverage wisely, and restrain those within his party wishing an overt alliance with the PDS or the Greens,

## Inward & upward

Last week the ex-chancellor, Mr Norman Lamont, declared himself also the fact that Japanese direct investment has yielded consider-crete economic advantage" that comes to the UK from its member-

Samsung and Fujitsu yesterday joined a growing list of foreign companies that have recently decided to invest substantially in their UK sites. Such companies are apparently happier to invest in the UK's economic future than many of their home-grown coun-terparts have been of late. But Mr Lamont and others should be under no illusions: these foreign direct investors are betting money on a future within the EU, not without it.

Not so long ago, yesterday's amouncements by Samsung and Fujitsu would have been met with little but complaints. Once the world's leading manufacturer, the UK was said to be becoming merely a site for the "screwdriver" operations of foreigners eager to

latest census data indicates that ship of the European Union. A trip to Cleveland and Durham ought to make him think again. foreign-owned manufacturing enterprises achieved an average 31 per cent higher net output per employee than domesticallyowned enterprises in 1991. This is to be expected: the companies coming to the UK are some of the most successful in the world. But that is merely another argument in favour of such investment. Low-cost labour, the English

language and membership in the EU are clearly a large part of the UK's attractiveness. The Nissan plant in Sunderland, for example, was a simple assembly operation for European sales when it was announced in 1984. From such beginnings, however, grew a plant that is now the UK's largest car exporter, employing 4,600, up from an initial 470. With luck, Cleve-land and Durham will provide similarly good examples for UK companies to follow. Maybe the heard today? Some would put it down to a new realism about the will not prevail

## Precarious peace

The Middle East peace process took another important step forward yesterday with the initialling of an outline agreement between Israel and Jordan. With the Hashemite kingdom now joining the Palestinians on the path completed only by Egypt, there is a mounting sense that the process is irreversible.

Confidence would have been greater had it not been for events last week in Israel, where Palestimian extremists came alarmingly close to wrecking much of what had been achieved. The alarm is all the greater because the main proponents of peace knew all too well of the dangers in over-reacting to such calculated provocation. Hamas, on the one hand, and a Jewish extremist fringe on the other, have both shown this year their capacity for politically moti-vated murder. The terror attack by Hamas in central Jerusalem last week, and the subsequent kidnap and killing of an Israeli soldier, are part of a depressingly

predictable pattern. Mr Yitzhak Rabin, Israel's prime minister, is right to expect that the Palestinian police force should maintain order in the newly-liberated territories. But to attempt to link the future of the peace negotiations with the ability of the Palestinian police to prevent Hames from committing acts of terror in Israel proper is dangerous.

Although Mr Rabin and Mr Yas-sir Arafat, the Palestinian leader, find no pleasure in each other's company, they share a common objective in seeking to blunt the appeal and activities of Hamas in its bid to sabotage the peace agreement. To this end, the secu-rity forces of both sides need to co-operate, not to apportion exclu-

sive responsibility and subsequent blame for security failures. At the same time, the two men need to work on limiting the appeal of Hamas to the wider Palestinian population, which means redressing the economic deprivation and political grievances that are still rife throughout the occupied West Bank and liberated parts of the Gaza strin. There is culpability on both

sides for failing to move the peace process forward with greater urgency. Mr Arafat's reluctance to consult or delegate has delayed the creation of an effective bureaucracy, and with it hundreds of millions of dollars in international aid. Mr Rabin's desire to tie down every last detail of each accord in a way which stifles any sense of Palestinian self-determination has served to dissipate much of the goodwill that sur-rounded the initial breakthrough. Withdrawal of Israeli forces from the rest of the West Bank and elections for Palestinians to choose legitimate leaders are urgently needed. Israel should allow the elections fairly to reflect Palestinian opinion and should recognise their results, whether they legitimise Mr Arafat's leader-

ian aspirations. The practice of democracy can only assist peace.
The agreement initialled in Amman yesterday has contributed to sustaining the wider momentum for peace, while continuing US efforts offer hope for progress between Israel and Syria. But events of the past week have been a reminder of how critical the core issue of Israel's relations with its Palestinian neighbours is to the entire fabric of peace.

ship or replace him with others

more capable of pursuing Palestin-

n the small hours of Germany's Monday morning, any normal political animal would have been wide awake, frantically following every last election return to determine the fate of Chancellor Helmut Kohl's

Computer predictions put his overall majority at two seats, a cliffhanging result well within any normal margin of error. Only threequarters of the seats were counted by midnight, and most of the remainder were in unpredictable territory in east Germany. On the face of it, it could have gone either

way. But in Bonn, at midnight, most German political animals were in

in the first place. Mr Kohl had said he had won, so they believed it. Indeed, Mr Rudolf Scharping, the leader of the opposition Social Democratic Party (SPD), had virtually admitted defeat. And secondly, they knew that even a two-vote majority would not necessarily spell chaos and instability in the German politi-

Long past bedtime, it emerged that the chancellor's conservative-liberal coalition had actually sur-vived with a 10-seat majority, a dramatic drop from its lead of 134 in the outgoing parliament, but, in Mr Kohl's words, "a perfectly good working majority".

Yesterday, the markets took it all in their stride. The Frankfurt stock exchange put on an initial 2 per cent, before falling back later in the day in "muted" trade. The bond market was up. The atmosphere

But the political establishment was split down the middle over whether the current coalition would survive its full four-year term.

"They won't even last a year," Mr Rudolf Dressler, social affairs spokesman of the SPD, said yester-day. "There is no reason why they shouldn't survive a full term," said Mr Klaus Beck, head of the Bonn llaison office of the trade union fed-

Everyone accepts that a tiny majority is not in itself a disaster. Former Chancellor Helmut Schmidt survived with a 10-seat majority from 1976-1980, and his predecessor, Mr Willy Brandt, had a 12-seat margin from 1969-1972. The government of the north German state of Schleswig-Holstein has been in power with a one seat majority since 1992. There are no mid-term by-elections, and German governments are anyway slow-moving, consensus-based creatures, which avoid conflicts at all costs.

The trouble for Mr Kohl is that his coalition contains political strains which have been under pressure for several years and the finely-balanced election result could just bring them to breaking point. Quentin Peel examines the challenges ahead for Chancellor Helmut Kohl's coalition government

## Battle to hold the middle lane



And the government agenda in the coming four years is certain to include some issues that could provide the material for deep divisions. For a start, it must tackle the question of tax reform, of both

income tax, which is the chancellor's priority, and company tax. Another key question is the soaring cost of the welfare state, and how to control it. And Privatisation and deregulation are also potentially divisive issues for the members of the coalition. And so is the need to take tougher action to enforce law and order, and cope with organised

Only foreign policy looks to be an area of relative harmony. Everything depends on the highly unpredictable Free Democratic Party (FDP), the liberal minority partner in the ruling coalition, and the big loser in Sunday's general election. It emerged from the poll

with just 47 members in the 672-seat

previous parliament. But it still holds the balance of power between Mr Rohl's Christian Democrats and the opposition SPD.

The party, led by Mr Klaus Kin-kel, the foreign minister, has fought a string of disastrous election cam-paigns during the year, losing all its seats in 10 state parliaments, and in the European parliament, because it failed to get more than the required 5 per cent minimum share of the vote. In east Germany, in particu-lar, its philosophy of free market liberalism has failed to find any response. It scraped into the Bundestag on

Sunday night, largely thanks to votes transferred by CDU support-ers. People who said they voted FDP as they emerged from the polling stations were asked which party they really favoured. No fewer than 63 per cent said CDU, compared with only 16 per cent for the FDP

member of the coalition - the Bayaria-based Christian Social Union (CSU) has 50 seats. Yet the irony is that it is more politically powerful, because of the paper thin majority,

than it was over the past four years. Mr Kinkel is totally committed to the current coalition. He fought the entire election on that basis. But he knows that over the next four years he has to win a clear political profile for his own party if it is to survive the next election at all. The FDP has to take a clear, independent position on issues. The question is whether it can best do that within the ruling coalition, or out-

On tax reform, the FDP, the CDU and the CSU are not too far apart. although the FDP is clearly more radical in the reduction it would wish to see in company tax. It is also more potentially radical on deregulation and privatisation. A

big issue for Mr Gunter Rexrodt.

the economics minister, has been

the need to make the energy market more competitive, and another has been to deregulate the retail sector both issues on which he has met solid opposition from the more con-servative CDU/CSU.

But the most potentially conten-tious area is social spending cuts, where the FDP is also more radical than its more powerful partners.

"The dilemma of the PDP is that they will be tempted to try to get more profile by being in the forefront of moves to deregulation and to slim the welfare state," according to one top political adviser. "But they know first of all that the CDU is much more cautious. And Mr Kohl knows that these are issues on which he needs the support of the Bundesrat (the second house of parliament representing the 16 federal states). The Bundesrat has an SPD majority, and on such issues, he will never get that support. So he has to resist the FDP."

ocial spending issues nearly brought disaster during the past four years, first over reform of the health service, and then over setting up a new insur-ance scheme to finance nursing care for the old and handicapped. The FDP backed down, but next

time, it might decide not to. The other key area of contention could be law and order, for the FDP still contains a strong libertarian wing, committed to generous immigration policies, good race relations, and a determined resistance to police surveillance, such as bugging telephone lines. Mr Kohl will be pushing for tougher action on law and order, to fulfil his election

Only on Europe are the coalition members in broad agreement, although Mr Kohl is perhaps more passionate about the need for fur-

ther European integration. But any of those issues could be the one the FDP chooses to use to seek a new profile, if the party leadership decides that is the best strat-

Mr Kohl, on the other hand, will bend over backwards to keep his coalition together. He knows that the alternative - a grand coalition with the SPD - was a disaster for his party before, when it paved the way for a change of power to an SPD-FDP alliance. He will thus seek to accommodate the liberals, within the limits of his need to work with the SPD majority in the Bundesrat. That is where a de facto grand coali-

tion already exists.

That is perhaps why the German body politic, and the financial markets, can afford to be so relaxed about such a close election result. But it still leaves the future clouded by uncertainty, and the fate of Mr Kohl in the hands of his unreliable partner, Mr Kinkel.

## Antony Thorncroft argues that the Millennium Commission needs to firm up its brief 2000 and beyond

The FDP is now the smallest

nium Commission, a handpicked band of nine of the extremely Good and reasonably Great, are travelling the UK for ideas on how to spend an estimated £1.6bn to celebrate the end of the second millen-

While they search for imaginative suggestions, they must also find a new chief executive. For when the Commission moved into new offices in Westminster's Little Smith Street. last weekend, it was minus a boss. Mr Nicholas Hinton, former head of the Save the Children Fund, was due to start a £72,000-a-year job there yesterday. But last week, the Commission's chairman, Mr Stephen Dorrell, the National Heritage Secretary, told him his services

would not be required. In his preliminary meetings with the commissioners, Mr Hinton had proved too interventionist. He thought he would have a decisive say in how the millions were spent the commissioners are seeking a more subservient bureaucrat. Excited by the prospect of making their mark on the future, the commissioners are not about to delegate.

However, they are saddled with implementing a scheme that has no organisation and is without a practical, considered, brief.

The Millennium Fund, first mooted by Lord Palumbo, the former chairman of the Arts Council, is set to receive a fifth of the proceeds from the UK's National Lottery until the year 2001. But it is starting from scratch. Until this weekend, the fund con-

sisted of a seconded civil servant, Ms Heather Wilkinson, a handful of helpers, and nine part-time commis-sioners, headed by Mr Dorrell and including Industry Secretary Mich-ael Heseltine. Other commissioners were chosen

for their strong regional links, or interest in areas likely to receive Millennium money. The Honourable Robin Dixon was ideal as an Olympic athlete from Northern Ireland; the Earl of Dalkeith can speak for Scotland and the heritage; and journalist Simon Jenkins is interested in architecture and has a Welsh background. But choosing the commissioners

and what it should spend the money on is proving more difficult. The only guidelines were provided in a short speech by the former Heritage Secretary Peter Brooke. In it, he urged the commission to

"seek to capture the spirit of our age in enduring landmarks that symbolise our hones for the future" Millennium projects should be those that would probably not otherwise happen, he added. "Above all, the Millennium Commission's legacy should form a permanent enhancement of our national heritage".

Not much detail there, although Mr Brooke had his own favourite ideas. He wanted a big Millennial Festival, and was keen on bursaries. On the projects, particularly the grand works that will absorb around half the Fund's expenditure,

the brief was wide open.
If the commissioners want to, they can reject all the likely front runners. The new Tate Gallery of Modern Art on London's Bankside is a strong candidate - it represents

was the easy part. Deciding how the contemporary art and it is interna-Millennium Fund should operate tional. But it is planning to move tional. But it is planning to move into a converted 1940s power station rather than a brand new 21st-century structure, hardly fitting for the new Millennium, the commissioners might decide.

They can suggest to the proposed Cardiff Opera House that it goes to the Welsh Arts Council for its funding. They can point the revamped South Bank Centre towards the fifth of the lottery assigned to heritage projects. All can be criticised for not occupying new buildings, or for having possible alternative sources of lottery funding.

This should add up to plenty of work for the nine part-timers. But the Commission will also be distributing thousands of small local grants, of £10,000 upwards. And the commissioners seem unwilling to hand over responsibility for these much smaller projects to a bureaucracy.

This is perhaps understandable. The Millennium money comes from millions of ordinary citizens spread across the land, with the majority

living far from a national opera house and art galleries. The government is keen that they should bene fit. But how? The commissioners' tour for grass-roots projects has had little success to date.

Most of the suggestions are outside the scope of the Fund improving the health service, or education, or transport are already the responsibility of existing government institutions. Many are worthy but banal - like giving every village a millennial clock, or (the prime minister's suggestion) giving every community hall a computer. Few seem keen on a giant ferris wheel on the banks of the Thames. The Channel Tunnel has deterred plans for great engineering ventures. Environmental ideas - innercity parklands and a new Caledo-

nian Forest - look likely winners. The government proclaims it wants an independent body, but the commission is an obvious source for some "feel good factor" in the run

up to the next election. However, without guidelines and a bureacracy that can take decisions, the Millennium Commission looks like becoming a huge bottleneck with plenty of money, but not enough time.

## **OBSERVER**

## Three cheers for Oleg Oleg Soskovets, Russia's first

deputy prime minister, is proving to be an indispensable cog in Russia's political machine. As Russia's unofficial minister of apologies, he is the man who has to turn out at short notice to explain away the sudden no show of his superiors.

Three weeks ago he had to explain to Irish prime minister Albert Reynolds why President Boris Yeltsin did not want get out of his plane at Shannon airport. Yesterday, he turned up at Moscow's Vnukovo Airport to glad-hand the Queen because his prime minister, Victor Chernomyrdin, was having too

much fun on holiday in Sochi. The incident confirms the sir of improvisation surrounding the Russian government. Yeltsin, who has twice delayed a planned state visit to Ukraine, decided at the weekend to put off a meeting of the Security Council to consider a report by the federal intelligence service on the reasons for the fall in the rouble last week.

Next Saturday's high-level meeting of the signatories of Russia's treaty on social accord, promoted as a crucial element of the country's political stability, has just been put off - without explanation - until December. Finally, the parliament's legal committee has postponed Friday's

vote of confidence on the government's handling of last week's currency crash - because the finance ministry had been unable to prepare a report on the budget due today. Guess who was due to present that report? The overburdened Soskovets.

Share timetable

■ Nice to see Sir Alastair Morton, Eurotunnel's co-chairman, underlining his confidence in the sickly project by buying 5,000 more shares yesterday. What's more he says that he plans to hold them at least a year and then sell them when "the holding shows me a 50 per cent growth". Brave words. Sir Alastair paid £2.30 for the shares and by the close was showing a loss of 7p a share on his latest investment. Timing has never been one of Sir Alastair's strong points.

Sock it to 'em

■ The German electorate may have returned the same old chancellor at the weekend, but look to the 30 deputies from the Party of Democratic Socialism, successors to east Germany's former communist party, to inject a bit of fresh colour into the next Bonn government. Candidate for the gerontocracy is Stefan Heym, the 81-year-old writer, who, as the oldest member of the

Bundestag, qualifies to deliver the

opening speech when parliament

Love and affection are for the proletariat'

reconvenes. The literary caucus is

BANCK

further bolstered by the presence of Gerhard Zwerenz, known principally for his steamy short stories. Heinrich von Einsiedel, the great grandson of Bismarck, should be relied on to deliver a piquant historical perspective, as, in a different way, should Rudolf Kutamutz, who admits to having been an informer for the Stasi secret police. On the distaff side, meanwhile, the formidable Christina Schenk, an outspoken lesbian, will be rubbing shoulders with Christa Luft, the elegant Marxist economist.

The PDS's parliamentary leader Gregor Gysi promises "anything but | inviting journalists to its new

a boringly unified fraction". You could say that the heirs to the faceless grey communist party apparatchiks have come far.

Case history

■ Hope that professional investors attending Singer & Friedlander's Company Investor Show on Thursday pay a bit more attention than they did last year. The idea is to give small quoted company stocks an opportunity to

tell their story to the investment community. Last year, fund managers, brokers and analysts attending were asked to pick the three stocks that would perform best over a six month period. No one came close to picking the winning portfolio - car distributor William Jacks, chemical colours company European Colour or Regent Hotels - and no prize was awarded. All jolly embarrassing. In a bid to tickle the palates of a better class of punter this time round the organisers are offering a case of White Burgundy - 1992 Meursault

Time, gentlemen ■ The European Monetary Institute, the precursor to the European Central Bank which has been squatting in Basle since the beginning of the year, moves to Frankfurt next month and is

headquarters after the mid-November council meeting. But it seems to have gone native even before it has pitched its stall among the preternaturally

tidy-minded Teutons. Observer, having just discovered that journalists were supposed to register their interest (in writing) by October 7, won't be there.

Quality time

British Rail travellers be warned: the system is running out of timetables. London's Kings Cross station, for example, no longer stocks timetables for journeys to Bournemouth or Liverpool. "We haven't had all the timetables since British Rail was split up in April," says an assistant.

Look on the bright side: if there are no timetables, at least you won't be worrying about trains running on time and all that nonsense.

Fasten seat belts

■ Unhappy conjunctions now featuring on the Uzbekistan Airways flight from Bangkok to London via Tashkent. The in-flight magazine

inventively titled Uzbekistan Airways' - carries a profile of the Uzbek national football team, all killed in an air crash some years ago, as the article explains. And the movie? Drucula

## FINANCIAL TIMES

Tuesday October 18 1994



Historic treaty paves way for economic links | Brussels

## Israel agrees draft deal for peace with Jordan

Israel and Jordan initialled a peace treaty yesterday in Amman, the Jordanian capital, paving the way to normal relations between the two countries and breaking down economic barriers in the Middle East. Mr Yitzhak Rabin, Israeli

prime minister, and King Hussein of Jordan settled disputes over their border and access to the region's water sources to achieve the draft treaty. It was initialled by Mr Rabin and Mr Abdul-Salam al-Majali, the Jordanian prime minister, at Amman's royal guest palace.

Mr Rabin immediately returned to Israel and received unanimous support from his cabi-

US president Bill Clinton might attend the signing ceremony, expected next Wednesday on the Jordan-Israel border, marking the formal end of hostility between the two countries which have fought three wars since 1948.

The treaty, Israel's first formal peace accord with an Arab neigh-

By Stefan Wagstyl in New Delhi and R C Murthy in Bombay

India scrapped most controls on

bank lending rates yesterday to promote cheaper credit for

Mr C. Rangarajan, reserve bank

marked a continuation of finan-

cial sector reforms. While

controlling inflation remained

important, the central bank

would tolerate a faster rate of

cation by both parliaments. After that a timetable of normalisation will include the exchange of ambassadors and the opening of

The agreement is critical for boosting economic integration and trade in the region. It will put pressure on Syria and Lebanon to intensify peace talks with Israel, and considerably enhance Mr Rabin's domestic standing. The treaty will also unlock a range of planned economic projects, including shared use of trade infrastructure, joint pro-jects in water, energy and tourism and direct bilateral trade

Mr Rabin said the agreement "will set a cornerstone for a new Middle East in which peace, development and co-operation will replace animosity, hatred

Details of the deal have yet to be released, but Mr Rabin said the two sides had agreed to a border based on the international boundary between Jordan and Palestine drawn by the British in

India scraps bank lending

controls to boost borrowing

an original target of 14-15 per

The central bank also raised

from Rs2bn to Rs5bn the ceiling

for loans from all Indian banks to

lost or won, although Jordanian and Israeli officials said accepting the 1921 border meant that Israel had given up a substantial part of the 350 sq km of arid land claimed by Jordan. Israeli farmers living on part of the land would be able to stay under a leaseback deal which recognised

Jordanian sovereignty.
Israeli officials said Mr Rabin
and King Hussein spoke to President Clinton yesterday and urged him to attend a regional signing ceremony. Both leaders want to support Mr Clinton in maintaining his Democratic majority on Capitol Hill in the November 8 congressional elections, given his administration's huge financial and military underwriting of the

Middle East peace process.

Mr Clinton said: "At a time when hatred and extremism and threatening behaviour still stalk the Middle East, this agreement reminds us that moderation and reason are prevailing."

Editorial Comment, Page 17

which covers the great majority of all bank lending. Controls will

remain in place for smaller loans.

extent of likely declines in lend-ing rates from the present 14 per

tiate good terms.

per cent.

Bankers were divided over the

An important constraint on

reducing lending rates will be

that deposit rates will remain

fixed, though the key savings

rate will fall from November 1 by

0.5 of a percentage point to 4.5

The big state-controlled banks

are under pressure by the

government to improve their

profitability. But competition

## Italian telecoms probe

and Siemens of Germany.

The commission yesterday announced it was deepening its investigation into the deal struck in March between Stet, the state-controlled holding company which is lightly's perpent pany which is Italtel's parent, and Siemens. The two companies agreed to merge their equipment manufacturing interests in Italy. Stet and Slemens would each control 50 per cent of the new company, which would have a turnover of about L3,400bn

(\$2.16bn) in 1994. The Brussels inquiry, which follows a preliminary one-month examination of the case, could exammation of the case, could last up to four months. That means it is likely to overlap with the build-up to privatisation of the Italian state's 65 per cent holding in Stet, expected to take place in the middle of 1995.

The commission said it was conserved when the impact of

concerned about the impact of the Italtel-Siemens deal on the Italian market for the supply of telecoms switching and exchange equipment in the state sector. It said the joint venture would command around half the Italian market for public switching and transmission equipment.

Italy's antitrust authority.

sider if the proposed joint ven-ture will hinder implementation of public procurement rules and the opening up of national mar-

## to deepen

The structure of Italy's state-controlled telecommunica-tions sector is to come under **European Commission scrutiny** as part of an antitrust investigation into the proposed joint ven-ture between Italiel, Italy's telecoms equipment manufacturer,

But the commission is also worried about vertical links between Italtel/Siemens and Telecom Italia, Italy's main domestic telephone company. Telecom Italia, which is Italtel's principal client, is also a subsidiary of Stet. One of our concerns is that one of the main EU companies, Siemens, will have the same status [within Stet] as Italtel, which has a very important relationship with Telecom Italia," said the commission yes-

The announcement of an in-depth inquiry was not unex-pected, given that Italtel already had nearly 50 per cent of the Italian equipment market before the merger. But it is the second antitrust setback this month for Stet and Telecom Italia, which are under pressure to end their monopoly over parts of the Italian telecoms sector

Last week, a Milan appeal court ruled that Telecom Italia would have to provide more leased lines for Telsystem – an Italian telecoms services company that wants to provide telecoms services for businesses in Italy – pending a ruling by

kets to EU competition.

## a single large project. The mea-sure will help companies raise blue-chip borrowers and stimulate competition in the banking credit for power stations and sim-Some forecast falls up to 2 percentage points; others pre-The changes, announced by the Industry welcomed the prosdicted a decrease of 0.5 percent-Reserve Bank of India, will help pect of lower interest rates. Mr age points. The biggest benefits are expected to go to big blue-chip borrowers able to negothe government rebut criticism Subodh Bhargava, president of

the Confederation of Indian from the International Monetary Industry, the employers' organi-sation, said: "The new policy Fund and other observers that India has been delaying economic reforms started three years ago includes initiatives industry has been seeking for some by Prime Minister P. V. Nara-

The latest reforms were congovernor, said the new policy tained in the central bank's announcement of its credit for the six months to the end of

> The minimum lending rate, controlled by the reserve bank since bank nationalisation in

## from privately-owned banks money supply growth than before: 16 per cent for the year to the end of March 1995, against 1969, is to be deregulated for will tend to encourage lending loans of about Rs200,000 (£4,123).

east German communist party. The size of the government majority was bolstered at the last minute by the allocation of 16 so-called "residual seats" to the parliament, resulting from Germany's two-vote proportional representation. Twelve of the seats went to the CDU and four to the opposition SPD, giving the

**Europe today** A strong high pressure system over Germany will give settled conditions over much of Europe. Along the northern side of quite cold air into Scandinavia. The northwest coast of Norway and the west coast of Finland will see a few wintry showers moving inland. Central and eastern Europe will have sunny spells and will remain dry, Ireland and western Scotland will have rain as active low pressure systems move in from the Atlantic. Other parts of the British Isles will stay dry. ranean will be rather unsettled

with plenty of thunder showers over

Central and eastern Europe will stay settled and dry as strong high pressure slowly moves into north-west Russia and extends into Scandinavia. Over the eastern Atlantic, low pressure systems will become very active and should produce quite a lot of rain and wind over the British Isles, The Mediterranean will remain unsettled with

heavy rain and thunder storms at times. The

Alps and south-east Europe will have plenty

Five-day forecast

Kohl in talks to reform German coalition latter a total of 252 seats. Mr Klaus Kinkel, the foreign minister and leader of the FDP, said that coalition negotiations

would begin next week. His own party emerged from the election with 32 seats fewer than in the previous parliament. after its vote sank from 11 per cent to 6.9 per cent. This me the FDP will almost certainly lose at least one of its ministries.

Bundestag, with 49 seats, and the election of 30 members of the PDS, in spite of the fact that the former communists did not win the minimum 5 per cent of the national vote. Instead, they gained four seats in the first direct vote, all in east Berlin, giving them the right to proportional representation.

# FT WEATHER GUIDE

of rain towards the weekend.

**TODAY'S TEMPERATURES** Cardin Casablar Chicago Cologne Dakar Dallas Delhi Ouba Dublin

Lufthansa

No other airline flies to more cities in

feir rain cloudy sun sun fair thund sun Rangoon
Reykjavík
Rio
Rome
S. Frsco
Seoul
Singapore
Stockholm
Strasboun
Sydney
Tangler
Yel Aviv
Tokyo
Tomonto
Vancouve
Venice
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Venica 29 31 17 32 16 35 35 35 36 22 20 12 11 18 

THE LEX COLUMN

## Eurotunnel's cash crunch

Eurotunnel and its advisers, S.G. Warburg, should be suitably red-faced for undershooting its revenue projections by so much so quickly. Long-suffering shareholders who subscribed to May's rights issue at 265p yesterday watched their sterling units drop to just 221p - their lowest point since

The group's deteriorating cash position is the immediate concern. It means Eurotunnel is unlikely to meet the conditions necessary to access its senior debt next spring. This need not involve yet another rights issue because the breach is likely to involve tens rather than hundreds of millions of pounds. But it adds aggravation at a time when the management should be concentrating on next summer's peak

Each time important milestones have been reached - when the boring was completed, when the tunnel was commissioned, when the Queen and President Mitterrand opened it doubts have emerged. Concerns over whether the group can generate enough revenue to cope with its interest burden should be dispelled or confirmed next summer when the system is supposed to run at full capacity. Three things will be needed if it is to succeed. Eurotunnel has to ensure service quality, running fast, reliable and frequent trains; British Rail and SNCF have to generate volumes on the city to city routes, and Eurotunnel must avoid a price war with Stena and P&O.

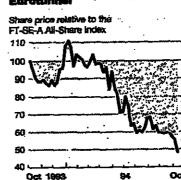
The auguries are not good. The margin for error is tight and Eurotunnel's historic inability to predict even the nearest of futures does not instill confidence. The tunnel will undoubtedly be a money-spinner at some point. But whether under this management and for this generation of shareholders remains doubtful.

## Renault

The French government's refusal to privatise Renault fully is a recipe for uncommercial meddling in the company's affairs. It reflects political sensitivities over the French car manufacturer and suggests that Renault may be managed counter to the interests of

But this will not stop the forthcoming Renault issue from being a roaring success. It was always likely that the issue would be priced generously, if only to avoid the embarrassment of a flop ahead of next spring's presidential elections. So it has proved. The pricing parameters announced yesterday are

FT-SE Index: 3120.2 (+13.5)



ource: FT Graphilis

below analysts' expectations, valuing the group at FFr39bn-FFr42bn rather than the forecast FFr45bn. Assuming the price is fixed at the upper end of the range, the shares will be on a multiple of some 8.5 times expected earnings for next year. This is a discount of at least 20 per cent to Peugeot. It also compares favourably with the ratings of other European car manufacturers which have not coped

with recession so successfully. The issue's likely success will be accentuated by the relatively small volume of shares allocated to institutions: 40 per cent of the total, with even that subject to a clawback from private investors. There will be a lot less demand for AGF, Bull and other French companies in the running to be privatised. But that is little consolation for institutions left scrabbling for shares in Renault.

## Retail sales

The Confederation of British Industry's September retail sales figures, showing a sharp rise in the balance of shops reporting higher volumes, do lit-tle to unscramble the confused signals coming from the British high street. Although the fall in the official figures for August was widely seen as an aberration, the City was expecting a pretty flat September picture from the CBL in recent months the CBI survey has tended to give a gloomier view than the official numbers, which are being treated with increasing caution. But those observers who justified their pessimism by arguing that the CBI is more accurate will find today's figures

tricky to explain.
The CBI believes that the weak sur-

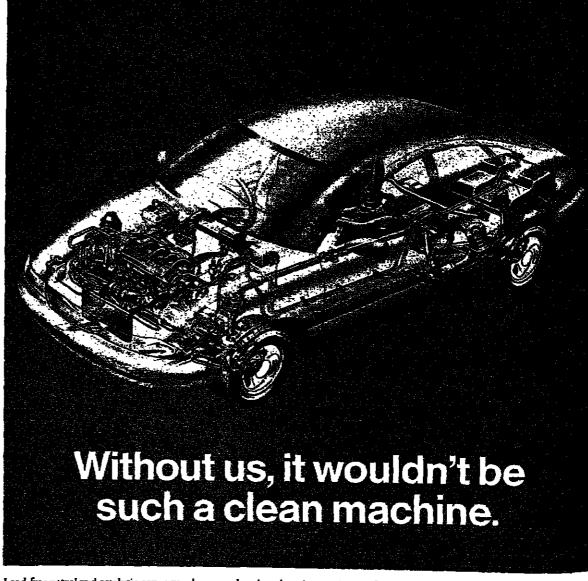
veys in July and August were partly due to retailers misreading the price; volume mix of their sales growth When inflation was high, retailers tended to overestimate volume growth and the CBI figures were generally better than the official numbers. During the period of heavy discounting in the summer, the illusion worked the other way. With the summer sales largely over, the September figure for volume growth looks all the more volume growin looks an the more impressive. Yet even those who place most faith in the CBI figures will not get carried away. The series has been very volatile and the average for the three months to September was the contract of the contract. unchanged from August. Nor, given their recent poor forecasting record. will retailers' optimism about October be given much weight. But, if tomorrow's official figures are also better than expected, the City might start believing the leading chains' predic-tions of a bright Christmas.

## PaineWebber/Kidder

Non-financial groups do not make good parents for investment banks. General Electric has had to admit as much by selling most of Kidder Peabody to PaineWebber for \$570m. The reason is that investment banks are unruly and sensitive children. Too firm a hand and the most talented brokers, traders and bankers will move to rival organisations. Too lax an approach and trading operations can easily run up large losses. GE now stands condemned of the latter failing But it is also true that, in the past, Kidder's ability to recruit suffered from the perception that GE was excessively interventionist. Yester-day's sale is the third recent retreat by non-financial groups from US investment banking. This year American Express cut its connection with Shearson Lehman, while last year Sears

Roebuck spun off Dean Witter.
Though PaineWebber should be a better parent for Kidder than GE, the acquisition will not catapult it into the investment banking big league. Nei-ther PaineWebber nor Kidder is large in advisory work or underwriting. Where the combined group will be a significant force is in US retail brok-ing, though it will still be a long way behind Merrill Lynch and Smith Barney. Even so, PaineWebber will have its work cut out to make a success of the deal. Blending the cultures of the two groups will not be easy and rivals will be circling to see if they can poach Kidder's best staff.

Allo San and a

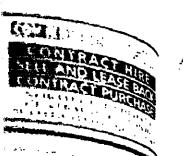


Lead-free petrol and catalytic converters have much reduced noxious emissions from car exhausts. Now legislation is increasing pressure on the automotive industry to reduce petrol vapour emissions dramatically, particularly permeation through the walls of the fuel carrying system. Technology developed by Bundy, the world leader in fluid carrying systems, will be helping major American and European car manufacturers meet this challenge.

Bundy's PTFE lined flexible hose and patented coated tube ensure that vapour permeation is minimal. As more stringent legislation is increasingly adopted round the world, Bundy will be a driving force in the move to cleaner cars. Bundy is one of TI Group's three specialised engineering businesses, the others being Dowty and John Cranc. Each one is a technological and market leader in its field. Together, their specialist skills enable TI Group to get the critical answers right for its customers. Worldwide.



For further information about the TI Group, contact the Department of Public Affairs, TI Group plc, Lambourn Court, Abingdon, Oxon OX14 1UH, England



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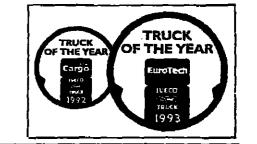
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**FINANCIAL TIMES** 

## **COMPANIES & MARKETS**

ATHE FINANCIAL TIMES LIMITED 1994

Tuesday October 18 1994



**Painful** 

transition

continues

at Unisys

Third-quarter earnings at Unisys

dropped sharply as the US com-puter group continued a painful transition from mainframe com-

puters to information services. Net income for the third quar-

ter was \$42.9m, or 8 cents per share, compared with net income of \$84.1m or 29 cents per share in the same period last year.

Excluding a one-time favourable tax item of 9 cents a year ago, earnings were 20 cents per share.

The earnings were in line with

Revenues continued to decline

but more slowly than in recent

quarters. Revenue for the quar-

ter was \$1.79bn, from \$1.81bn in

Unisys said results had been

hit by declining government

business, a continuing shift away from high-margin propri-

etary systems and an increase in

It reported, however, strong

Revenue from information ser-

vices, our strongest business,

growth in information services.

the third quarter last year.

sales expenses.

Wall Street expectations.

By Louise Kehoe

in San Francisco

## IN BRIEF

## **Time Warner** lessens its loss

Record operating earnings at Time Warner's publishing, music and cable-television channel businesses allowed the US entertainment group to report a net loss of \$32m for the third quarter, against a \$133m loss a year ago. Page 20

Line-up for Czech lines

Twelve of the world's leading telecommunications groups are fighting for a stake in SPT Telecom, the Czech Republic's telephone operator, in what could become the country's biggest foreign direct invest-ment opportunity to date. Page 22

MCA managers discuss buy-out Mr Lew Wasserman, veteran chairman of MCA, the Los Angeles based entertainment group, and Mr Sidney Sheinberg, its president, are expected today to raise the subject of taking control of MCA by ł buying a majority stake from Matsushita, its Japanese parent. Page 23

New York switches on to nationalisation America is perhaps the last place anyone would expect to find the public sector proposing to nationalise a stock-market quoted company. But that is precisely what the State of New York intends to do with its planned \$2.5hn acquisition of the Long Island Lighting Company, a private sector electricity company. Page 23

**VSEL** advances

VSEL, the UK submarine maker and target of an agreed bid from British Aerospace, yesterday announced a 5 per cent rise in pre-tax profits to £30.2m (\$48m) for the six months to September 30.

BAe expects its lossmaking Avro regional jet operations to break even by 1997. Page 25

Airtours: sea tours?

Airtours, the UK's second biggest holiday company, continued its voyage into the cruise market with the £35m (\$55m) purchase of a second ship. Page 25

Overseas growth spurs Farnell

Farnell Electronics, the UK electronic components distributor and manufacturer, reported sharply higher interim profits and turnover, after strong overseas growth and the £41m (\$65m) acquisition of the Multicomponents distribution business. Page 26

Weak prices hold back Waste Managen Weak prices held back profits growth at Waste Mangement International, the UK quoted arm of WMX Technologies of the US, which yesterday announced an 11 per cent improvement in the thirdquarter. Page 26

Coffee futures rebound Coffee futures rebounded from a sharp setback in volatile trading yesterday, affected by rainfall that has relieved a long drought in Brazil, the world's biggest producer. Page 30

German ballot reassures markets Sunday's narrow victory for Germany's conserva-

tive/liberal coalition was seen as a reassurance for the country's financial markets. However, the European strategy team at Merrill Lynch, the US broker, believes p/e ratios in major European equity markets could halve as they approach peak earnings.

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Chem Wate	994 +	116	Fuji Spin	513	+	13
Palos Webb	15 +	74	Hexabu Pap	679	+	12
WIND: Techs	294 +	16	Miled Mag	135	+	14
	204 +		Nto Lt Md	728	+	22
Pulls	86 -	514	Palls			
Cal Macro			Delityo Inc	856	_	27
Estan Nedek	48%i —	A	Design Inc	870	_	15
Carl Elec	50% <b>-</b>	*	Yagada T&B	O/U	-	13

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Agro Hamble	33	+	9	Wareday Mining	120	+	9
Aution Street	141	+	7	Wheston	112	+	7
Affect Collecto	143	+	7	Pade			
Amines	65	+	3	Acom Computer	94	_	4
BANT & WAT A	308	+	15			_	15
Briston Scotts	200	+	12	Eldes .	325	-	
Brit Agrespace	498	+	28	Europencel Uta	221	-	7
Cortect	12	•	4	Feeto	179	_	15
Friendly Holids	183	+	8	Forward Tech	46	_	- 4
( Indiana Cont	343	+	13	Highland Dist	418	_	14
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PaineWebber reaps the benefits as GE's investment banking unit is pulled apart

## Age no barrier to Kidder's fall

By Richard Waters in New York

E.F. Hutton, Drexel Burnham Lambert, Shearson... and now Kidder Peabody.

The list of famous names that have become casualties in the US stockbroking and investment banking industry gained another entry yesterday. The 128-year-old Wall Street firm, battered by scandal and tumbling bond markets this year, is to be dismantled, and up to 2,000 of its staff

Many aspects of the deal, agreed in principle on Sunday, have to be sorted out. However, the broad outline is clear. The General Electric unit will

be split for PaineWebber to pick over, allowing PaineWebber to expand in a number of areas without having to take on any of Kidder's operations it does not want. "GE is indemnifying us against all the liabilities of Kidder," says Mr Donald Marron, PaineWebber's chairman. "GE is paying for all the down-sizing." PaineWebber, whose 5,000-strong retail broking force puts it among the ranks of mid-sized

and makes

Sales of Roche, the Basie-based

healthcare and fine chemicals

group, continued to deteriorate

in the third quarter, falling 4.7

Roche, which is in the process

of completing a \$5.3bn acquisi-

tion of the US pharmaceuticals

group Syntex, also announced yesterday that it would make a

SFr230m provision against this

year's pre-tax profit for the

restructuring of its drugs divi-

sion. Some 5,000 jobs would be

eliminated, mainly in the US, during the next few months.

Roche, however, said it still

expected 1994 net income "to

show a further rise" over last

The rise of the Swiss franc continued to dampen revenues. Expressed in local currencies.

total sales in the nine months to

September 30 were up by 6 per cent. In Swiss franc terms, they

The group said it had "felt the impact" of health cost containment measures taken by govern-

ments in several countries. Sales in the drugs division, which turned downward in the second quarter, fell 4.3 per cent in the third quarter to SFr1.85bn.

It said pharmaceutical sales in

local currencies grew signifi-

cantly faster than the average

for its sector in most leading

countries, thanks to its strong

position in the bospital market.

The vitamins and fine chemi

cals division achieved a volume

increase in spite of competition

from low-cost suppliers from the

far east. The division's sales

eased 7 per cent in the third

Sales in the diagnostics divi-

sion were off 10.8 per cent in the

third quarter to SFr380m.

reflecting closure of some

unprofitable laboratories and

changes in customer payment

Two new applications of

Roche's polymerase chain reac-

tion technology, for detecting the

hepatitis C virus and mycobac-

terium tuberculosis, bave been

The flavours and fragrances

division bucked the group trend,

achieving a 4.7 per cent rise in

third-quarter sales to SFr375m.

The group cited strong flavours

sales in the US and a general

The Syntex takeover is to be

approved at a Syntex extraordi-

oary general meeting on October

28. Roche said preparations for eliminating duplication of effort

were well underway. It said about 5,000 jobs from both the

Roche and Syntex groups, mainly in the US, would be lost.

Roche, which has claimed the

acquisition of Syntex would

cause no earnings dilution, said

the restructuring would have

been undertaken even without

Syntex because of changing mar-

recovery of fragrance sales.

quarter to SF1780m.

policies

well received.

were flat at SFr10.7bn.

vear's SFr2.48bn.

per cent to SFr3.4bn (\$2.63bn).

provision

By Ian Rodger in Zurich

brokers, is effectively raising \$580m of new capital through the transaction, the amount of Kid-

equity capital base, which currently stands at \$1.2bn. In return, it welcomes a substantial minority shareholder in the shape of GE, which will have a seat on PaineWebber's board. Net of the additional capital it

acquires through the transaction, PaineWebber is paying GE \$90m for the Kidder businesses it Chooses.

Chief among the assets on PaineWebber's target list is Kidder's retail salesforce – 1,150 brokers around the country who are among the most productive in

well ahead of PaineWebber's estimated \$300,000 average. The problem for PaineWebber other than the question of how it merges this network of brokers with its own, bigger salesforce -is that every other retail stock-broker of size in the US is likely to attempt to lure away Kidder's

most productive offices. "There is bound to be scepticism regarding PaineWebber's ability to pull it off," says Mr Michael Flanagan, a securities industry analyst at Lipper Ana-

US retail stockbrokers Merriil Lynch 12,170

As at and of 1963 Based on broken of each firm Source: Securities industry Associates cement its position as the fourththe US. Between them, these bro-kers generate about \$500m in commissions and fees a year. biggest US retail brokerage network. It will continue to be dwarfed, however, by the giants of the industry - Merrill Lynch Their average of \$425,000 each is and Smith Barney, owned by

AG Edwards

Charles Schwab

On PaineWebber's immediate target list are Kidder's investment management activities. Assets under discretionary management in this part of the business amount to \$9bn, compared with some \$37bn at PaineWebber, says Mr Marron.

The firm will also take over Kidder's equity research group; Kidder's mortgage business; and parts of its investment banking and trading operations.

It is these areas that raise the

There is bound to be scepticism regarding PaineWebber's ability to pull it off'

penter, had turned itself into a big fixed-income trading house, with balance sheet with assets of more than \$100bn. PaineWebber, by contrast, has assets of little more than \$30bn and a less leveraged balance sheet.

While Mr Marron talked yesterday about acquiring parts of Kidder's fixed income trading businesses - including those in London, where the firm's bond operations provide no overlap with Kidder's US operation - he was studiously vague about what this would involve.

Of particular interest to Wall Street is the fate of Kidder's mortgage-backed bonds business, the biggest of its kind and the operation which in recent years has provided the bulk of the

GE ten days ago said it would transfer Kidder's mortgagebacked bond portfolio to another part of the group, while leaving Mr Michael Vranos, the highly-re-garded head of trading, at Kidder. While Mr Marron said he would talk to Mr Vranos and his team, the betting on Wall Street yesterday was that a securities house with a stomach for large and complex trading positions

was a more likely home. For General Electric, meanwhile, yesterday's announcement marks an ignominious end to its eight-year involvement with Kidder - though the industrial giant was at pains to point out that it has a substantial continuing interest in the securities industry through its stake in PaineWeb-

"Over the long term, they don't want to be in this business," says Mr Michael Bunyaner, an analyst who follows GE at Oppenheimer in New York.

"They want to let someone else who knows the industry manage But GE may not rush to sell off its stake, he adds: it has a similar substantial minority stake in the defence group Martin Marietta, demonstrating that it is content to remain a minority partner over the long term. Lex. Page 18

grew 23 per cent in the quarter and 22 per cent over the past nine months," said Mr James Unruh, chairman and chief exec-He added: "We are continuing to invest in this growth business which is leading our information management thrust. Information services is now our single largest business revenue stream with 25 per cent of total revenue." He said the transformation of Uni-

ing earnings. Unisys returned to profitability in 1992 after three years of beavy losses. Revenues, however, have continued to decline. Mr Unruh said Unisys aimed to grow by expanding services and systems integration, as well as sales of servers and desktop computers while maintaining its more mature, higher margin mainframe business.

sys was on track, despite declin-

He was encouraged by a strong increase in European orders and revenue. This contrasts with the previous quarter when weak European sales dragged down

Revenue for the first nine months was \$5.28bn (\$5.64bn). Net income was \$152.8m or 36 cents per share. The nine months included a charge of \$7.7m for costs associated with repurchase of debt. In the 1993 period, net income was \$447.7m or \$1.83 per share including a net gain from accounting changes and an

## der's liquid net assets that will If the firm succeeds in retainbiggest questions. Kidder, under transfered, and it will expand its ing all of Kidder's brokers, it will former chairman Mr Michael Carfirm's profits. After sales | Famous Grouse may flutter into new fields fall, Roche cuts jobs



One in the eye: Brian Ivory, chief executive of Highland Distilleries, announced a 10 per cent profits rise and hinted at diversification. "We see ourselves as a premium spirits company," he said. "If there are opportunities in other spirits, we wouldn't say 'no'." Details, Page 25 extraordinary item of \$203.8m.

## **Eurotunnel warns** of lower revenue and outlines fares

By Charles Batchelor and Tim Burt in London

Eurotimnel, the Channel tunnel operator, has been hit harder than expected by delays to the start of rail services.

It said yesterday it expected its revenues for 1994 to be only a quarter of the £135m (\$213m) figure which it was predicting as recently as May, at the time of its 2858m rights issue. Analysts in London had predicted revenues might be cut to £90m-£100m. Rimotimnel shares fell 7p to 221p. Eurotunnel faces tough negotiations with its bankers when it

starts to draw down its loans early next year. But it expects they will continue to provide backing, according to Sir Alastair Morton, co-chairman. Analysis expressed surprise at

the revenue shortfall and predicted the group would fail to meet its banking covenants next year. Mr Richard Hannah of UBS Securities said: "To miss firstyear forecasts by this kind of margin is upsetting to say the least. One wonders how accurate

their future figures will be." But Eurotunnel's main lenders said they remained supportive and were unlikely to force a cash crisis in the spring ahead of the peak holiday season. One leading bank lender, however, said: "All we can do at this stage is sit and

Sir Alastair commented: "We

have had a grim and very hard nine months and we have not delivered all the expectations in our [rights issue] prospectus. But we believe were are getting into a position of delivering the goods." Eurotunnel announced yesterday that high-speed Eurostar services through the tunnel would

start on November 14. This repre sents the final stage in the introduction of passenger and freight services and will bring the tunnel into direct competition with the airlines on short-haul routes.

Eurostar fares for London-Paris will range from £95 return, provided a booking is made 14 days in advance, up to £195 for first class travel including a hot, three-course meal for an initial "discovery" period lasting until next spring.
Eurotunnel reported a £47m

loss in the first six months of the year, most of it resulting from interest and financing charges and with a contribution of only 22m from the limited freight services which began in late May. But tight control on costs and

savings made because services were started late had meant cash flow was £3m better than was expected at the time of the rights prospectus. Eurotunnel expects that by the end of 1994 its cash position will be £50m worse than planned

In spite of these setbacks there is no actual or potential breach of our loan covenants let alone a default," said Mr Graham Corbett, chief financial officer These estimates could pose technical problems when we draw down our bank loans but this situation is quite familiar to us and our bankers,"

Sir Alastair denied there was any need for another cash call, "No way will there be another rights issue", he said. "We don't need one. Our way forward is with our banks and with our warrant holders later." Eurotuunel expects to raise £200m if warrant holders exercise their rights. Cross-channel fares, Page 8;



USSIOK RETURNED USSEIN International Accumulation Fund version of are reinvested, or the Global Strategy Fund With returns like ours, you should return coupon today or call André Le Prevest on GUINNESS FLIGHT MANAGED CURRENCY FUNDS Return to: Guinness Flight Fund Managers (Governoey) Limited, Guinness Flight House, PO Box 250, St Peter Port, Guernoey, GY1 3QH. Tel: [44] 1481-712176. Fax: [44] 1481-712065.

## Time Warner trims losses in third period to \$32m

By Patrick Harverson in New York

Record operating earnings at Time Warner's publishing, a measure of its underlying music and cable-television channel businesses allowed the US entertainment group to report a net loss of \$32m for the third quarter, sharply reduced from the \$133m loss incurred a year ago.

During the quarter, combined earnings before interest, taxes, depreciation and amortisation (Ebitda) for the group and its Time Warner Entertainment subsidiary (which reports operating results on a deconsolidated basis) reached \$747m on revenues of \$1.1bn, compared with Ebitda of \$726m on revenues of \$3.7bn a year ago.

The group, which was left

ation burden following the 1989 merger between Time and Warner, likes to focus Wall Street's attention on Ebitda as performance.

Time Warner's music division posted the best results, of the quarter, with Ebitda of \$172m compared with \$132m a year earlier. Worldwide record sales and music publishing revenues were both significantly higher, with Warner Music artists such as Eric Clapton and REM releasing best-selling albums during the period.

The group's publishing division also notched up record earnings from continuing operations, with Ebitda rising 20 per cent to \$78m. Gains in magazine circulation and advertising and increased revenues from the book unit were

Although the group's HBO television cable channel reported record Ebitda of \$56m, up 16 per cent from 1993, Time Warner's filmed entertainment division saw the figure fall to \$189m from \$204m a

The group said the comparison over the year was unfavourable primarily because the division produced exceptionally strong earnings in the third quarter of 1993.

Once again, earnings from cable operations declined, with Ebitda falling to \$242m from \$263m a year ago in response to the reduction in cable television charges imposed by Congress last year. However, Mr Gerald Levin, Time Warner chairman, said that the worst effects of the government-mandated rate regulation were

> government in 1982. It also bought the remaining 50 per cent of outstanding shares in Banque Continentale du Luxembourg, which had developed links with Paribas and GMH-CIPAF since 1982. Both sides declined to reveal

**Paribas** 

buys rest of

Luxembourg

units' shares

Paribas, one of France's

leading banks, yesterday

announced the purchase of all

outstanding shares in two

Luxembourg financial comna-

nies in which it had long held

The purchase came in an

agreement signed with Groupe

Général Mediterranean Hold-

ing-Compagnie Internationale de Participations Bancaires et

Financières (GMH-CIPAF), the

holder of the remaining

The bank bought the remaining 20 per cent of shares in Banque Paribas Lux-

embourg, which was created

in 1964 and separated from Paribas at the time of its nationalisation by the French

By Andrew Jack in Paris

strategic stakes.

the price. Banque Continentale du Luxembourg last year reported aet assets of FFr473m and net profits of Ffr50m (\$9.45m), while Banque Paribas Luxembourg had assets of FFr880m and profits of FFr150m in 1993.

## **Motors venture**

als and automotive components company, and Hydro Aluminium, part of Norsk Hydro, the country's biggest industrial group, will set up Raufoss Automotive to develop, manufacture and

## Ferfin opts for simplification The Italian group still has many debts to clear, writes Andrew Hill FERRUZZI FINANZIARIA AND MONTEDISON

hat has been described as the largest out-of-court financial restructuring in corporate history is almost one

In October last year, Ferruzzi Finanziaria (Ferfin), the Italian financial holding company, and its industrial subsidiary Montedison proposed a radical programme of disposals, capital raising and debt-for-equity exchanges to sceptical bankers.

The company had been brought close to collapse by alleged mismanagement, and was groaning under a burden of debt estimated at L30,000bn (\$19.35bn). Although the threatened alternative was bankruptcy for Italy's second largest private industrial group, some foreign banks held out for better terms until the end of November, when the

plan was finally agreed.
Since then, Ferfin and Montedison, 30.5 per cent of which is owned by the financial holding company, have moved quickly to reduce debt and make the promised disposals. Yesterday, Mr Guido Rossi and Mr Enrico Bondi, who took over last year as, respectively, chairman and managing director of the two companies, expressed themselves satisfied with the progress of the plan at to simplify still further the sprawling structure of the

But the Ferruzzi-Montedison group is still less than halfway towards the target of L7,000bn which it wants to raise from asset sales and debt transfers by the end of 1997. Although the group continues to work on restructuring all its subsidiaries, many of the most diffiPRINCIPAL ASSETS - SOLD OR FOR SALE sold July 1993, \$47m f

Alerion Bank (banking, US) sold June 1994, price unspecified sold October 1994, L225bn Nikols (insurance broking) Calcastruzzi (concrete) Trenno (property) rine (shiobuildino

Tencara (advanced materials

cult disposals still have to be Asset sales have raised more than L2,300bn, in cash and debt transfers, with the dis-

posal last week of Fermar, the group's shipbuilding subsidiary. In the first six months of this year, Ferfin cut its borrowings by nearly 30 per cent to L15.768bn. The sale of Fermar to fellow Italian shipbuilder Gruppo Coeclerici was the biggest disposal so far. Coeclerici is to

buy Fermar for L225bn. of

which L62.5bn plus interest will be paid in three years, and the disposal will reduce Ferfin's debt by a further L320bn. The group has disposed of its stakes in other quoted companies, including Gemina, the insurance company, Mediobanca, the merchant bank which masterminded the rescue plan, and Parmalat, the toods group. It has also sold or closed many small trading and agro-foods subsidiaries, dis-posed of substantial property interests, and even auctioned

ornaments bought by the pre-Ferfin wants to slim until it controls only its 30 per cent

off paintings, furniture and

stake in Montedison, which is active in the energy, chemicals and agro-industrial sectors, and its 34 per cent direct and indirect investment in Fondiaria, the insurance company. Mr Bondi said yesterday that the disposal programme was on schedule, and that prices were in line with internal forecasts "down to the last lira". This is heartening news for a company which last year under previous management had to admit that it had discovered a L435bn hole in its 1992 accounts, triggering a series of

The test will come with the larger disposals which lie ahead. For example, Ferfin still controls a majority stake in Calcestruzzi, the quoted con-crete and building materials group, which has been hard hit by the downturn in the Italian construction and public works sector. Mr Giampiero Pesenti, who heads Italcementi, Italy's biggest cement group, may want to increase his own minority interest in Calcestruzzi, but such a move would raise anti-trust problems and risk prompting a full bid for

£500,000, and at the discretion

of the board, will not be

Mr Peter Edge, 36, Exco

judicial and financial investi-

gations which are continuing.

Ferfin also controls holdings which reflect the interests of its discredited founder, Mr Raul Gardini, who killed himself last year, and Mr Carlo Sama, the former managing director. They include the ailing Rome newspaper, Il Messagero, and the private television channel Telemontecarlo, as well as International Marine Holdings, a manufacture of yachting and nautical equipment. Intermarine Shipbuilding, which makes minehunters, and the company which worked on building the hulls for Mr Gardini's ill-fated bid to win sailing's America's Cup.

₹er(in and Montedison undoubtedly hope that creditors - now among their largest shareholders following the conversion of debt into equity last year - will not put undue pressure on the group to accelerate the programme, a move which might sacrifice the benefits already achieved.

At least the signs are encouraging. Yesterday, Montedison shareholders heard that the group had consolidated the last L345bn of its debt at favourable rates, which will save the company a further Lisbn of financial charges every year, and voted in favour of absorbing Finanziaria Agroindustriale, the quoted vehicle for shares in Eridania Béghin-Say, Montedison's agro-industrial subsid-

iary.
It may not sound like much, but for Mr Bondi and Mr Rossi, who inherited a group structure consisting of 1,800 compa-nies, many of them dormant investment vehicles, it must seem like a small step in the right direction.

## Valeo in \$80m US purchase

By John Ridding in Paris

Valeo, the French vehicle components group, yesterday took a further step in the expansion of its North American operations, announcing that it is to buy Lake Center Industries (LCI), a US supplier of electronic and mechanical equipment, for \$80m.

The French company said the acquisition would strengthen its position with North American vehicle manu-facturers, in particular Chrysler, General Motors and Ford.

LCI's main product lines include control panels for heating and air conditioning North America. Its principal

Twenty-nine of the world's

largest drug companies are likely to face US federal law-

suits from pharmacy groups

alleging price discrimination

The Georgia Pharmacy Asso-

ciation said yesterday it and

other groups representing 1,346

independent pharmacies in 15

states would file senarate fed-

eral lawsuits against 29 drug

and anti-trust violation.

systems, switches and electronic assemblies. Its annual revenues amount to \$110m and are expected to reach \$140m in 1995. The company, a subsidiary of Guy Atkinson, has six manufacturing plants in Min-nesota and Wisconsin, with a workforce of 1,380.

The US company will become a division of Valeo Electronics, and should push sales for this sector of Valeo's operations to FFr2.2bn (\$410m)

in 1995. Turnover for Valeo as a whole is expected to reach FFr22.5bn this year, with more than FFr3bn coming from

Drug companies face lawsuits in US

companies. Target companies

include Merck-Medco of the US

and the UK's Glaxo, the

world's two biggest drug

moves in a campaign by phar-

macies against drug makers. It

includes lobbying Washington

to staunch the flow of corpo-

rate and commercial drug com-

pany deals with healthcare

intermediaries called health

management organisations

The lawsuits are the latest

products include cooling systems, clutches, heating and air conditioning systems and windscreen wiper equipment.

Valeo said it would pay for the acquisition in cash. Follow-ing the purchase of Borg Instruments of Germany, and majority stakes in joint ventures in Argentina and China, Valeo said its total financial investments for the year should total about FFr650m.

The company added that strong cash flow should enable it to reduce its debt to equity ratio to below 10 per cent at the end of the year, compared with 14 per cent at the end of

managers (PBMs).

Pharmacists accuse drug

makers of offering better deals

to the intermediaries even if

pharmacy chains are buying in

greater bulk and should qual-

Pharmacists' groups have

been pressing the Federal

Trade Commission over the

planned \$4bn purchase by US

drug company Eli Lilly of PCS, a pharmacy benefit manager.

ify for greater discounts.

## for Norwegian groups

Two state-owned Norwegian groups are joining forces in the aluminium automotive components business, writes Kenneth Gooding in London.

Ranfoss, the munitions, met market these components.

Parts of their research activities related to aluminium in cars will also be included in the joint company which will have Hydro as a "substantial" minority shareholder.

## Exco shares tumble 8% as chief executive resigns

granted

in London

Exco, the money broker that

came to the London market 11 weeks ago, yesterday announced the resignation of its chief executive.

Its shares fell 15p, or 8 per cent, on the announcement to close in London at 179p. slightly above their flotation price of 175p. Mr Ron Sandler, 42, will in management style have developed which the board felt could become damaging to the Mr Sandler, who joined Exco

the year. Exco said yesterday:

Since the flotation, differences

in April 1993, was on a 12-month contract and will leave with a year's salary of £297,000 (\$469,260)

However, his 480,000 share options, potentially worth

£100,000,000

failed financial services group British & Commonwealth Holdines. The share issue was 3.2 director of global money mar-kets, who has been with the times oversubscribed, valuing Exco at £220m. The shares group since 1980, will take went to 14 per cent premium on the first day's trading, and Mr Sandler joined Exco from reached a high of 211p on a management consultancy to

from the administrators of the

August 15. Neither Mr Sandier nor any other member of the Exco board were available for

Presidenza del Consiglio dei Ministri Regione autonoma della Sardegna Provincia di Cagliari Comune di Carbonia Comune di Gonnesa Comune di Portoscuso

## Concession for the operation of the Sulcis coal mine and the construction and operation of an associated coal gasification heat and power plant

**Notice of Tender** 

The Office of the Prime Minister of the Republic of Italy, the Regional Government of Sardinia, the Province of Cagliari, the Municipality of Carbonia, the Municipality of Gonnesa, and the Municipality of Portoscuso, jointly acting as the Concedant Authority, are seeking to award, in accordance with the Decree of the President of the Republic of Italy dated January 28, 1994 (as amended by the Decree of the President of the Republic of Italy dated June 9, 1994) published in the Official Journal of the Republic of Italy on March 9, 1994, a comprehensive concession for the completion, operation and maintenance of the Sulcis coal mine and the design, construction, operation and maintenance of an associated coal gasification heat and power plant to be built in the Sulcis-Iglesiente area.

The selection process will be performed in accordance with the Council Directive 93/37/EEC, the Council Decision 93/323/EEC and the Legislative Decree of the Republic of Italy 406/91. The concession, to be run in accordance with the specific rules provided by Appendix A to the Decree of the President of the Republic of Italy dated January 28, 1994, will be awarded by licitazione privata (i.e. restricted procedure), pursuant to Art.8 of the Legislative Decree of the

The life of the concession will be thirty years. The procedure will be open to bidders from both EU and non-EU countries. The concessionary will run the Suleis coal mine and will build, own and operate an associated coal gasification heat and power plant, with net capacity ranging from 350 MW to 450 MW. The mining concession and the existing mining equipment of Carbosuleis SpA will be transferred free of charge to the concessionary. Power from the new plant will be purchased by ENEL SpA under a long term power purchase agreement.

The concession will be awarded on the basis of the maximum discount offered on the electricity selling price during the first eight years of operation, in accordance with the specifications set out in the contract documents which will be made available to the candidates invited to tender. The base electricity selling price for the first eight years will be fTL 160/Kwh. For the remaining period of the concession's life the electricity selling price will be determined as set out by Resolution CIP n.6/92 for coal fired power plants. The full price of ITL 160/Kwh will be conditional on the use of a quantity of Sulcis coal corresponding to at least 50% of the total heat value fuelled each year to the gasification plant.

A Steering Committee including representatives of the Concedant Authority and ENEL SpA, and headquartered at the Office of the President of the Regional Government of Sardinia, will be responsible for the awarding of the concession and for acting as the Contracting Authority. IMI - Istituto Mobiliare Italiano SpA will be advising the Steering Committee on the development of the tender procedure, the award of the concession and the structuring of the contractual documents.

Companies with relevant expertise in the activities related to the subject matter of the concession and having the availability of coal gasification technology they would intend to use, are invited to express their interest by means of a request to participate. Also joint enterprises set up and represented in accordance with Art.22 of the Legislative Decree of the Republic of Italy 406/91, are allowed to apply. The Pre-qualification Information Document setting out further information on the concession, the procedure for pre-qualification and the personal, financial and technical conditions to be fulfilled by the candidates, is available at the following address:

Comitato di Coordinamento

c/o Presidenza della Giunta della Regione Autonoma Sardegna Viale Trento 69, Cagliari - ITALIA Tel. (39 70) 6062223 - 6062406 Fax. (39 70) 6062454 TELEX 790344 PREGIR I

Requests to participate, written in the Italian language, must be sent by registered mail by December 2, 1994. Candidates are also required to promptly confirm by telegram, telefax or telex that requests have been mailed.

This Notice of Tender was sent on October 10, 1994 to the office for Official Publications of the European Community for the publication in the Official Journal of the European Community and in the TED data bank. The original Italian text is the

Notice of Interest Rates

## The United Mexican States

Collateralized Floating Rate Bonds Due 2019

NOTICE IS HEREBY GIVEN that the interest rates covering the interest parted from October 17, 1994 to April 18, 1995 are detailed below: Interest Amount Payment Date Serve Designation Rate\_ USD Discount Gerica A 6.8875 Pet. P.A. USD 33.00 Per USD 1,000 April 18,1065 DOU Classount Series 6.1876 Pet. P.A. USD 82.91 Per USD 2,000 April 18,1986

October 17, 1994 CITTEANK, N.A., Agent

ORIX IRELAND FINANCE PLC YEN 20,000, 000, 000, FIXED AND FLOATING RATE **GUARANTEED NOTES DUE 1995** 

Notice is hereby given that for the interest period from 18th October 1994 to 18th April 1995, the rate of interest will be 2.79688% per annum. The interest payable on the 18th April 1995 will be Yen 141,398 per each yen 10,000,000. Note

The Mitsui Trust and Banking Co., Ltd., London

NOTICE OF MEETING OF HOLDERS OF 7% CONVERTIBLE SUBORDINATED DEBENTURES DUE 1999 OF RIEDEL ENVIRONMENTAL TECHNOLOGIES, INC. TO BE HELD ON November 9, 1994

"LEASE TAKE NOTICE that a meeting of the holders (the "Holders") of 7% Convertible Subordinated Debentures due 1999 (the "Debentures") of Riedel Environmental Technologies, Inc. (the "Company") will be held at the offices of Chemical Bank, 450 West 33rd Street, 15th Floor, New York, New York, on November 9, 1994 at 10.00 am, Eastern Standard Time. Terms used in the Terms and Conditions of the Debentures have the same

meaning in this notice. The purpose of this meeting is to obtain the consent of the Holders to a waiver of the requirements of Section 6(a) of the Terms and Conditions to allow the Company to sell all the outstanding shares of Riedel Environmental Services, Inc. ("RES") to Canonie Environmental Services Corp. ("Canonie"). The sale involves substantially all of the assets of the Company. Section 6(a) imposes restrictions on the Company's ability to sell all or substantially all its assets.

Any such waiver of Section 6(a) will be conclusive and binding on all Holders, whether or not they have given their consent or were present at the meeting of the Holders, and on all holders of coupons whether or not notation of such amendments is made on the Debentures.

Chemical Bank as the Fiscal Agent under the Debentures is entitled to make such reasonable regulations for the meeting of Holders that it deems advisable in addition to those set forth in the Terms and Conditions. The Fiscal Agent has established the following regulations: the purpose of determining who shall be entitled to vote at such meeting or any adjournment thereof.

i. The holding of Registered Debentures shall be proved by the registry books maintained in accordance with that certain Fiscal Agency Agreement dated as of October 11, 1989 by and between the Company and Chemical Bank or by a certificate or certificates of the Fiscal Agent in its capacity as the Company's agent for the maintenance of such books. The holding of Bearer Debentures may be proved by the production of the Bearer Debentures at the meeting. In addition, holders of voting cer-tificates and proxies named in a block voting instruction with respect to

Bearer Debentures may vote at the meeting 3. Accountholders of Euroclear and Cedel to whom Debentures are credthe distribution of the relevant clearing system should notify the relevant clearing system to inform the Fiscal Agent no later than 48 bours before the scheduled time for the meeting of the number of votes to be cast for and against

4. If a Debentureholder wishes the Fiscal Agent to appoint a proxy to vote on his behalf at the meeting, he must deposit his Debentures with Chemical Bank (London) no later than 48 hours before the scheduled time of the meeting, specifying whether the vote(s) attributable to such Debentures should be east for or against the waiver. Chemical Bank (London) will then issue a block voting instruction to a proxy of its choice, instructing such proxy to east such vote(s) in the specified man-

5. Written instruments appointing proxics, regular on their face, are presumed valid and genuine.

Copies of the proxy statement mailed to shareholders of the Company containing information regarding the proposed sale by the Company of all of the outstanding shares of stock of RES to Canonie, reasons for such sale, terms of the proposed sale and other information regarding the Company may be obtained from William Cox, Vice President and General Counsel of the Company at 4611 North Champel Avenue, Portland, Oregon 97217; phone (503) 288-4656; facsimile (503) 288-3502.



000,000,000R2U Subordinated collared floating rate notes 2005

For the period IS October 1994 to 18 April 1995 the notes will bear interest at 5.625% per annu Interest payable on 18 April 1995 will amount to US\$28.44 per US\$1,000, US\$284.38 per US\$10,000 and US\$7,109.38 per US\$250,000 note.

Agent: Morgan Guaranty Trust Company **JPMorgan** 



Subordinated Floating Rate Notes due October 2002 In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the six that the Rate of Interest for the sia month period ending (7th April, 1995 has been fixed at 5.75% per annum. The interest accruing for such six month period wiff be U.S. \$29.07 per U.S. \$1.00.0 Bearer Note, and U.S. \$29.0.09 per U.S. \$100.000 Bearer Note on 17th April, 1995 against presentation of Coupon No. 5. Union Bank of Switzerland London Branch Agent Bank 13th October, 1994 L3th October, 1994

guide the money broker to the market institutional investors had taken a majority stake in the group the previous year BRADFORD & R [ N Floating Rate Notes Due 1998

8λ/‰ perannum

NOTICE OF INTEREST RATE To the Holders of

Banco Central do Brasil

🙆 (SPART Bertus

Interest Amount per E10,000 Note due 13th January 1995 E152.61

New Money Bonds Due in 1999 in accordance with the provis the Bonds, notice is hereby given that the above Bonds will bear interest for the 183 day interest Period from October 17, 1994 to April 18, 1995, at a rate per annum of 611/16 as calculated in accordance with the terms of the above Bonds.

CREDIT LOCAL DE FRANCE FRF 750,000,000 REVERSE FLOATER BONDS DUE 2000 ISIN CODE off electricity X\$0043078954 For the period October 14, 1994 to April 14, 1995 the new rate has been fixed at 7.73003 % P.A. Next payment date: April 14, 1995 Coupon nr : 3 Amount : FRF 386,50 for the denomination of FRF 10 000 FRF 3865,02



BANCO CENTRAL DO BRASIL. FINANCIAL TIMES MANAGEMENT REPORTS AUTHORITATIVE MARKET REPORTS FOR FURTIER FORMATION GALLS +44 (0)71 814 9770 +44 (0) 71 814 9778

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Luxembourg

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ecutive resign

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**CITIBAN** 



Part-sale of SPT Telecom may be biggest foreign investment to date, writes Vincent Boland

Projected development of telephone

density in Czech Republic

¬ weive of the world's leading telecommunications groups are fighting for a 27 per cent stake in SPT Telecom, the Czech Republic's telephone operator, in what could become the country's biggest one-off foreign investment opportunity to

Competition for the stake valued at between \$700m and \$1bn - is likely to be fierce. If the price reaches the higher end of expectations it will out-strip Volkswagen's DM1.4bn (\$900m), five-year purchase of 70 per cent of Skoda Automo bile as the largest foreign

investment yet in the country. "This is the big one, the one everybody has been waiting says a merchant banker advising one of the bidding

The 12 companies must make preliminary bids by mid-December. Those that most fully meet the government's two main criteria - price and operational experience - will go through to a second round, with final offers due to be tabled next February. The winner will be known by March 1.

The bidders are American Telephone & Telegraph, Ameritech International, Bell Atlantic, Southwestern Bell International Development, GTE Telephone, Deutsche Telekom, France Telecom, Telecom Denmark, PTT Telecom Netherlands, Stet International, Swiss Telecom and Korea Telecom.

Analysts say the successful bid is likely to come from a consortium consisting of a private US operator and a wholly or partly state-owned European group. The selection of the 12 companies on October 6 has led to a hectic round of negotiations as they attempt to ioin forces to bid for the stake. A precedent for the sale is

last December's sale for \$875m of a 30 per cent stake in Matav, the Hungarian equivalent of

## SPT Telecom: the challenges ahead



Kcs130bn (\$4.7bn) modernisa-

tion programme through to the

The programme aims to increase the number of lines

from 20 to 35 per 100 people by

1998. The present density is

one of the lowest in Europe,

although higher than Hungary

and Poland. The average in

western Europe is roughly one

line for every two people.

"Demand and supply should balance by 1998," says Mr Jifi

Makovec, SPT general director.

tion will be to replace outdated

analog equipment with digital

technology and the construc-

tion of 168 digital host

The Czech government has

laid down strict rules for bids

from consortiums. It insists

that a bidder be "a clearly

defined entity" with a trans-

parent ownership structure

consisting of "experienced

exchanges by 1998.

Key elements of modernisa-

SPT, to a consortium of Deutoperators". It must also speak with one voice. "I will only Telekom and Ameritech. deal with one person or one The Matay sale is the biggest company at a time," warns Mr telecommunications invest-Karel Dyba, the Czech econment in central Europe to date. omy minister whose depart-In that sale, the proceeds ment is co-ordinating the were split between the company and the exchequer. But SPT will receive the entire pro-Already, speculation in ceeds, to help it finance a

Prague suggests that three of the 12 companies - France Télécom, Bell Atlantic and PTT Telecom - are emerging as favourites for the SPT investment. France Télécom has been providing technical assistance to the Czech company for several years, while Bell Atlantic is a partner, along with US West and SPT, in the EuroTel consortium established in 1990 to provide mobile telephone services in the Czech Republic.

PTT Telecom, the Dutch operator which was partly privatised earlier this year, has a consultancy and technology joint venture with SPT, and has experience in Hungary. Ukraine and south-east Asia. As a relatively small European operator, PTT "is not a threat" to SPT, analysts say.

Attention is now focused on a detailed examination of SPT. Each company paid \$100,000 for access to preliminary bidding will dilute the domestic inves-

tors' holding to 19 per cent and the state's directly-held share to 51 per cent. The state will Projected annual construction of ... retain its majority stake for un telephone exchange capacity in Czech Republic (lines 000s) to five years. It may then sell a further block of shares after that time.

packages. In spite of its under-developed network. SPT is

highly profitable. Last year it made Kos6bn (\$216m) on reve-

nues of Kcs18bn. In the first

six months of 1994 it recorded

pre-tax profits of Kcs3.4bn on

PT has received Kcs7bn

in loans from the World Bank, the European Investment Bank and the Euro-

pean Bank for Reconstruction

and Development to finance its

modernisation project. In July it raised a further Kcs1bn through a five-year bond issue.

But the bulk of the cost of

modernisation will be met

through the sale of the stake

and re-investment of future

SPT is 74 per cent state-

owned, of which 70 per cent is

held directly and 4 per cent is

owned by two state-run invest-

ment funds. The remaining 26

per cent - roughly 6m shares -

is held by domestic investors

who bought the shares in the

second wave of mass privatisa-

The winner of the tender will

receive new shares in SPT, to

give it a maximum 27 per cent

tion this year.

revenues of Kcs10bn.

The 6m shares sold in the privatisation wave have still to be delivered to investors, but a grey market has developed in SPT stock on the Prague bourse. The shares are trading at about Kcs3.500, which values SPT at \$2.96bn.

Bidders are somewhat in the dark, however, as to SPT's true worth. This will not become clear until the government establishes a regulatory framework covering future tariff policy for SPT. The framework is due to be announced late next month, and it will have an important bearing on the price the government gets for the

At present, high international tariffs subsidise SPT's domestic call service. International call prices from the Czech Republic are among the highest in Europe, costing up to half as much again as comparable prices in western

A call from Prague costs Kcs31.5 a minute to the UK; Kcs63 a minute to the US; and Kcs25.2 a minute to Germany. A local call costs about Kcs2. SPT is to retain a monopoly of intercity and international calls until the end of the decade, while some competition is to be introduced in local services from next year.

The tariff policy is expected to rebalance prices by lowering international tariffs, raising local charges to market level, and pegging future price rises to inflation. If it cuts international charges too much it would make SPT less attractive. "The government can influence the price it gets by keeping international call prices high," one banker says.

## **NEWS DIGEST**

## Berjaya to take direct control of Singer subsidiary

Berjaya, the Malaysian conglomerate controlled by Malaysian-Chinese businessman Mr Vincent Tan, has announced a wide-ranging shake-up of its corporate structure, writes Kieran Cooke in Kuala Lumpur.

The complex exercise will bring the listed Berjaya Singer, a producer of household goods and one of the most profitable companies in the Berjaya stable, under the direct control of Berjaya Group, the quoted company which serves as the conglomerate's holding company and flagship.

Under the present structure, Berjaya Singer is controlled through two other listed companies in the group, Berjaya Industrial and Berjaya Leisure. Berjaya Group says the new arrangement will mean that Berjaya Singer's profits to the group holding company will no longer be diluted.

Berjaya, with interests including textiles, media, leisure and casino operations and timber concerns, has been restructured several times in recent years.

The latest reorganisation involves cash and share transactions between the various Berjaya companies, plus a Berjaya Group rights issue which aims to raise nearly M\$970m (US\$379m). The cash would be used to repay loans and finance Berjaya's ambitious expan-

Earlier this month, Berjaya companies announced plans to gain control of Indah Water, a consortium which has been given charge of a M\$6.4bn scheme to upgrade Malay-

## **BES Engineering advances** 10% at pre-tax level

BES Engineering, Taiwan's recently-privatised construction company, reported pre-tax profits of T\$398m (US\$15.2m) in the first quarter ended September 30, up 10 per cent from a year earlier, writes Laura Tyson in Taipei. BES was one of the first state-owned compa-

nies to be privatised. As one of two government-owned contractors, BES was until 1992 granted preferential

access to infrastructure contracts. Faced with challenges from legislators and private construction companies, it has since been obliged to participate in open bidding for

The company is estimated to have orders amounting to some T\$20bn

## Enso-Gutzeit in talks on taking Veitsiluoto stake

Enso-Gutzeit, the Finnish forestry group, said yesterday it had been in talks with the Ministry of Trade and Industry over the possible acquisition of a 35 per cent stake in stateowned Veitsiluoto, agencies report from Hel-

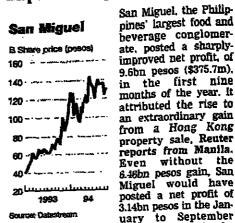
Veitsiluoto produces paper and pulp and operates saw mills. Its turnover in 1993 was FM4.82bn (\$1bn), resulting in a loss after financial items of FM150m.

The Finnish state owns 33.7 per cent of the

Enso-Gutzeit, and 91.1 per cent of the shares and voting rights of Veitsiluoto. Enso-Gutzeit is expected to report a profit

after financial items of FM699.1m for the first eight months of the year. This is the average of forecasts from 11 analysts. In the January-August period last year, Enso's profit after financial items was

## Gain from HK property sale helps San Miguel surge



pines' largest food and beverage conglomerate, posted a sharply-improved net profit, of 9.6bn pesos (\$375.7m). in the first nine months of the year. It attributed the rise to an extraordinary gain from a Hong Kong property sale, Reuter reports from Manila. Even without the 6.46bn pesos gain, San Miguel would have posted a net profit of

period, 40 per cent up on the 2.24bn in the same period last year. San Miguel, through its San Miguel Brewery Hong Kong unit, sold a prime property in the colony for HK\$3.5bn (\$452.9m).

San Miguel said profits continued to rise on sustained growth in sales volume and improvement in the Philippine economy.

The company's consolidated sales in the first nine months amounted to 48.9bn pesos, 12 per cent better than the 43.7bn pesos posted in the same period last year.

## Holdains upbeat in spite of 4.6% profits decline

An improved political climate and renewed economic growth allowed Holdains, the South African packaging group, to lift an earlier, gloomy earnings forecast, but it still recorded a 4.6 per cent decline in after-tax profit to R110.6m (\$30.1m) for the year ended in August, down from R134.8m a year ago, writes Mark Suzman in Johannesburg. Sales rose 9 per cent, to R2.8bn from R2.5bn,

but operating income declined sharply to R168.7m from R196m as a result of intense pressure on the group's margins in the first half of the year. However, after-tax figures were helped by a

reduction in interest paid, to R19.8m from R31.8m, as well as lower taxes, at R25.7m compared with R29.4m a year ago. The full-year dividend was maintained at 125 cents.

Mr Richard Bruyns, chief executive, said the outlook for the next year was greatly improved. "Strong turnover growth in all our divisions was achieved in the last quarter and we anticipate that the accelerated pace will continue," he said.

Holdains' balance sheet improved slightly on the year as gearing dropped to 14.8 per cent from 18.4 per cent a year ago. The 1992 figure was 45.1 per cent. The company also announced it had spent R105m on plant expanshares and 52.1 per cent of the voting rights of sion and R34m on asset replacement.

## Higher nickel prices help to lift Falconbridge

By Bernard Simon in Toronto

Falconbridge, the Canadian metals producer which went public this year, has reported a sharp improvement in third-quarter performance, due to rising metal prices, higher sales volumes and a drop in the Canadian dollar.

Earnings were C\$55.5m (US\$41.4m), or 32 cents a share, compared with a C\$11.4m loss, or 11 cents, a year earlier. Operating income more than quadrupled to C\$94.6m from C\$21.5m, while

HSBC GLOBAL INVESTMENT FUNDS

Convening notice

The shareholders of HSBC Global Investment Funds - South Pacific Equity ("South Pacific Equity") are hereby convened to attend an

EXTRAORDINARY CLASS MEETING OF THE

SHAREHOLDERS OF SOUTH PACIFIC EQUITY

to be held on October 27th 1994 at 3 pm at 7 rue du Marché-aux-Herbes, L-1728 unarmbourg, with the following agenda:

Decision to amalgamate the South Pacific Equity with HSBC Global levestment Funds - Asian Equity ("Asian Equity") by contribution of all the net assets of South Pacific Equity to Asian Equity, against attribution to the shareholders of South Pacific Equity of an appropriate number of shares of Asian Equity, in proportion to their shareholdering in the South Pacific Equity at an exchange ratio calculated on the beast of the respective net asset values per share of the two sub-funds on the day of the compination.

Resolutions on the above agenda do not require a quorum and decisions are taken by sample majority of the shares present at represented at the meeting.

In order to participate in the meeting, the holders of bearer shares must deposit their shares at the office of HSDC Investment Funds Luxembourg SA, 7 rue du Marché-aux-liertes, L-1°N Luxembourg by no later than Spin on October 26th 1994. Process will be sent to registered shareholders by mail. In order to be valid, proviets must be returned

to the office of HSBC Investment Funds Luvernbourg SA, aim. Marceline Juns. fax. (752)47 55 69, by no Liter than Spin on October 26th 1994.
A motor confirming the outcome of the meeting will be published in the Luxembourg Memorial, in the Luxembourg Word, in the Financial Times and in the South China

The cross of the an algamation will be borne by the Investment Manager.
The ancient of the shareholders of South Pacific Equity is specifically drawn to the

following. Whereas South Pacific Equity seeks to achieve long term capital growth through investment in the equity markets principally of Australia and New Zealand, the aim of Asian Equity is to achieve the same investment objective from an actively managed portfolio of quarted securities on the regulated snock exchanges of the economies in Asia, evoluting Japan. The major proportion of this sub-fund's investments will be in the markets of Hong Kong, Singapose, Malaysia and Thouland, However, the other stock markets of the region, including Korea, Shanghai and Shenthen, China, Tauwan, the Philippanes, Indonesia and Bombay, India, may be held from time to time.

The currency of denomination of rosan equity is 450 double and in the Poerfix Equity.

The time-statical advisor to Asian Equity is HSBC Asset Management Hong Kong Limited. The investment management and advisory fee in respect of Asian Equity will be of 15% per annum of the dark net asset value, whereas the equivalent fee in respect of the South Pacalic Equity Fund is 1% per annum. The rates of other fees paid out of the content of the c

The distribution policy of Asian Equity is identical to the one applied to South Pacific equity. The Directors accept responsibility for the accuracy of the contents of this docum

ency of denomination of Asian Equity is US dollar as is the case for South

Société d'Investissement à capital South Pacific Equity red Office: 7 rue du Marché-aux-Herbes R.C. Luxembourg B-25087

o be held on October 27th 1994 at 3 pm at 7 rue du Marché-a

Decision to close South Pacific Equity.

Determination of the effective date of the contribution.

revenues climbed to C\$526.7m from C\$371.1m.

The results were also buoyed by a reduction in debt-service expenses from C\$21.1m to C\$10.9m in the wake of the recent equity issue.

Mr Frank Pickard, chief executive, predicted that nickel prices would be supported for the rest of the year by a 10 per cent rise in western steel output in 1994, and a 9 per cent increase in nickel consumption. "Fourth-quarter fundamentals are the strongest the

nickel industry has experienced in many years," he said.

profits.

Nickel output rose to 17,321 tonnes in the third quarter from 15,633 a year earlier. Ferro-nickel production was 9,068 tonnes, up from 7,021 tonnes. Average nickel prices received rose to US\$2.89 a lb from \$2.29. Ferro-nickel prices climbed to \$2.80 from \$2.37, while copper prices advanced to \$1.13 from 86

Falconbridge also disclosed yesterday it had obtained "particularly encourag-

**HSBC GLOBAL INVESTMENT FUNDS** 

Convening notice

The shareholders of HSBC Global Investment Funds - United Kingdom Equity ("United Kingdom Equity") are hereby convened to attend an

EXTRAORDINARY CLASS MEETING OF THE

SHAREHOLDERS OF UNITED KINGDOM EQUITY

Linembourg, with the following agenda:

1. Decision to analgamate the United Kingdom Equity with HSBC Global Investment Funds - Pan-European Equity ("Pan-European Equity") by contribution of all the net assets of United Kingdom Equity to Pan-European Equity, against attribution to the abuveholders of United Kingdom Equity of an appropriate aumber of shares of Pan-European Equity, in proportion to their shareholding in the United Kingdom Equity at an exchange ratio calculated on the basis of the respective net asset values per

utions on the above agenda do not require a quorum and decisions are taken by a

Date interestance is entitled to one vote. In order to participate in the meeting, the holders of bearer shares must deposit their shares at the office of HSBC Investment Funds Luxembourg SA, 7 rue du Marché-mx-lierbes, L-1728 Luxembourg by no later than 5pm on October 26th 1994. Provides will be sent to registered shareholders by nail. In order to be valid, proxies must be returned to the office of HSBC investment Funds Luxembourg SA, atm. Marceline Jans, for. (352) 47 55 69, by no later than 5pm on October 26th 1994.

A notice confirming the ontcome of the meeting will be published in the Laxembourg Memorial, in the Laxembourg Wort, in the Financial Times and in the South China

The cost of the amalgamation will be borne by the levestment Manager.

The stlention of the shareholders of United Kingdom Equity is specifically drawn to the

Whereas United Kingdom Equity invests in shares issued mainly by well established United Kingdom Companies the investment policy of the Pan-European Equity aims to invest in a wide range of company shares quoted or traded on any of the Eligible Markets in both the United Kingdom and in other Continental European councies. Generally, the pontfolio of securities will be those in large established companies with proven track records. The portfolio will also include securities in appropriate smaller or more specialized companies.

provest track records. The portions will also metings securities in appropriate suisance or more specialised companies.

The currency of denomination of Pan-European Equity is US dollar as is the case for United Kingdom Equity.

The investment advisor to Pan-European Equity is HSBC Asset Management Europe Limited, who are also the investment advisor to United Kingdom Equity.

The investment advisory fees and the distribution policy of United Kingdom Equity are identical to those applied to Pan-European Equity.

The Diseasest accord seasonest-lifes for the accuracy of the contents of this document.

The Directors accept responsibility for the occuracy of the contents of this document

o be held on October 27th 1994 at 3 pm at 7 rue du Marché-et

re of the two sub-funds on the day of the cont

Determination of the effective date of the contribut

Decision to close United Kingdom Equity,

ach entire share is entitled to one vote.

axembours, with the following seems:

Société d'Investinement à capital variable United Kingdom Equity Registered Office: 7 rue du Marché-aux-flerbes, L-1728 Laxemb R.C. Luxembourg B-25087

ing" exploration results from the Kidd Creek zinc and copper mine in northern Ontario. Samples from four new drillholes have yielded an average grade of 3 per cent copper, 4.8 per cent zinc, 0.85 per cent lead and 180 grams of silver Drilling results from the Biankouma

nickel venture in the Ivory Coast indicate the ore may be suitable for ferronickel production, using the same process as Falconbridge's operation in the Dominican Republic.

HSBC GLOBAL INVESTMENT FUNDS Société d'Investissement à capital variable European Equity Registered Office: 7 rue du Marché-aux-Berbes, L-1728 Luxembourg R.C. Luxembourg B-25087

Convening notice

rebolders of HSBC Global Investment Funds - European Equity ("Europea

## EXTRAORDINARY CLASS MEETING OF THE SHAREHOLDERS OF EUROPEAN EOUTTY

be held on October 27th 1994 at 3 pm at 7 me du Marché-

Linembourg, with the following agends:

1. Decision to smalgamate the European Equity with HSBC Global Investment Funds
- Pan-European Equity ("Pan-European Equity") by contribution of all the ert assets
of European Equity to Pan-European Equity, against attribution to the shareholders
of European Equity of an appropriate number of shares of Pan-European Equity, in
proportion to their shareholding in the European Equity at an exchange ratio proportion to their suaremore, calculated on the basis of the response tive net asset values per share of the two sub-

Decision to close European Equity.

Determination of the effective date of the contribution. Resolutions on the above agends do not require a quorum and decisions are taken by simple majority of the shares present or repres Each entire share is entitled to one vote.

n order to participate in the meeting, the holders of bearer shares must deposit their shares at the office of HSBC Investment Funds Laxembourg SA, 7 are du Marché-aux-Herbes, L-1728 Laxembourg by no later than 5pm on October 26ph 1994. Proxies will be sent to registered shareholders by mail, in order to be valid, proxies unest be returned to the office of HSBC Investment Funds Laxembourg SA, ann. Marceline Jans, fax. (352) 47 55 69, by no later than 5pm on October 26th 1994.

A notice confirming the outcome of the meeting will be published in the Luxembourg Memorial, in the Luxembourg Wort, in the Financial Times and in the South Chim The cost of the amalgamation will be borne by the investment Manager. The attention of the shareholders of European Equity is specifically drawn to the

Vhereas European Equity invests in shares of large Continental European Con-

the investment policy of the Pan-Buropean Equity aims to invest in a wide range of company shares quoted or traded on any of the Eligible Markets in both the United Kingdom and in other Continental European countries. Generally, the portfolio of securities will be those in large established companies with proven track records. The portfolio will also include socurities in oppropriate smaller or more specialised

The currency of denomination of Pan-European Equity is US dollar at is the case for

European Equity.

The investment adviser to Pan-European Equity is HSBC Asset Management Europe Limited, who are also the investment adviser to European Equity.

The investment advisory fees and the distribution policy of European Equity are identical to those applied to Pan-European Equity.

The Directors accept responsibility for the accuracy of the o

The Board of Directors

## HSBC GLOBAL INVESTMENT FUNDS

Convening notice

The shareholders of HSBC Global Investment Funds - Canadian Equity ("Canadian Equity") are hereby convened to attend as: EXTRAORDINARY CLASS MEETING OF THE

SHAREHOLDERS OF CANADIAN EQUITY

to be held on October 27th 1994 at 3 pm at 7 rue du Marché-aux-Herbes, L-1728 to be into the Coulor 2 rin 1998 at 9 pm at 7 fee on whitener-aux-perion, L-1728 Lorentbourg, with the following agenda:

1. Decision to analgamate the Canadian Equity with HSBC Global Investment Funds - North American Equity ("North American Equity") by contribution of all the net assets of Canadian Equity to North American Equity, against attribution to the shareholders of Canadian Equity of an appropriate number of shares of North American Equity, in proportion to their shareholding in the Canadian Equity at an exchange ratio calculated on the backs of the expectation are never allowed. exchange ratio calculated on the basis of the respective net asset values per share

of the two sub-funds on the day of the contrib-Decision to close Canadian Equity. 3. Determination of the effective date of the contribution. solutions on the above agenda do not require a quorum and decisions are taken by a simple majority of the shares present or rep Each entire share is entitled to one vote.

Each entire states is entitled in one your.

In order to participate in the meeting, the holders of bearer thares must deposit their states at the office of HSBC Investment Funds Luxembourg SA, 7 rue du Marché-aux-Herbes, L-1728 Laxembourg by no later than 5pm on October 26th 1994. Proxies will be sent to registered shareholders by mail. In order to be valid, proxies must be returned to the office of HSBC Investment Funds Luxembourg SA, atm. Marceline Jans, fax. (352) 47 55 69, by no later than 5pm on October 26th 1994. A notice confirming the outcome of the meeting will be published in the Luxembourg Memorial, in the Luxembourg Wort, in the Financial Times and in the South Chinz Morning Post.

The cost of the analgameten will be borne by the Investment Manager. The attention of the shareholders of Canadian Equity is specifically drawn to the

The investment policy of North American Equity is to provide maximum capital growth through a portfolio of carefully selected shares traded on the stock exchanges of the United States of America, Canada and Mexico, whereas the investment policy of Canadian Equity is to achieve the same objective by investing only in companies whose activities are principally based in Canada or which are quoted or traded on an Eligibic Market in Canada

The currency of denomination of North American Equity is US dollar as is the cas for Canadian Equity.

The investment adviser to North American Equity is HSBC Asset Managem The investment adviser to North American equity is notice cook management. Americas lac, who are also the investment adviser to Canadian Equity.

The investment advisory fees and the distribution policy of North American Equity are identical to those applied to Canadian Equity. The Directors accept responsibility for the accuracy of the

The Board of Directors

INTERIM REPORT



The Board of Directors

RAPPORT SEMESTRIEL

Euronanci P.L.C. Registered Office: The Adelphi, John Adam Street, London, WC2N 61T, Registered in England and Woles No.: 1960271. Eurotannel S.A., Siege Social: 112, avenue Kleber, B.P. 166, Trocadero, 75770 Paris Cedex 16, Prance. Capital FRF8386,914,890 RCS Paris No. B334 192 408-APE 741).

panies to 30 June 1994 was published on 15 October 1994. Copies have been sent to holders of units and warrants in registered form and to those holders of units and/or warrants in bearer form who requested copies of the last Annual Report published in May 1941. Copies of the Interim Report in English and French will be available from 25 October from any

Le Rapport Semestriel du Groupe Eurotumel au 30 juin 1994 a été publié le 15 octobre 1994. Une copie de ce Rapport a été envoyée à chaque actionnaire nominatif, ainsi qu'aux timbaires d'unités et/ou bons de souscription au porteur qui avaient demandé une copie du Rapport Annuel publié en mai 1994. Les copies du Rapport Semestriel en anglais et français peuvent etre obtenues auprès des organismes uivants à partir du 25 octobre 1994:

English language - Royal Bank of Scotland plc., Registrar's Department, PO Box 39, Caxton House, Redeliffe Way, Bristol, BS99 7ZF, (by post) - The Nomura Securities Company Ltd, 1-9-1 Nihonbashi, Chuo-ku, Tokyo, Japan - Enskilda Corporate, Norrlandsgatan 15, PO Box 16067, S-10322 Stockholm, Sweden (available for collection) - Cititank N.A., 111 Wall Street, New York, N.Y. 10043, U.S.A. Swuch (avangere in concention) - Chicago (1922, 111 Wall Street, New York, N.Y. 10043, U.S.A. Formulaires en français - (par courrier) Banque Indosuez, 96, Boulevard Haussmann, 75008. Paris, France et à R.F.C. 120 avenue des Champs Elysées 75008 Paris, France, - (à votre disposition) Générale de Banque, 3 Montagne du Parc. 1000 Bruxelles, Belgique et Banque Indosuez Belgique, 40 rue des Colonies. (000 Bruxelles, Belgique) Caisse Centrale de Crédit Immobilier 3CI

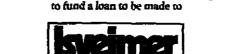
The Board of Directors

\$116,000,000 Floating Rate Notes 1998

Notice is hereby given that for the interest period 14 October notes will carry an interest rati of 6.125% per annum. Interest will amount to \$15.77 per

Agent: Morgan Guaranty Trust Company **JPMorgan** 

U.S. \$150,000,000 Floating Rate Notes due 1995 Fiduciary issue by Bankers Trust Luxembourg S.A.



Istituto per lo Sviluppo Economico Dell'Italia Meridionale (a statutory body of the Republic of Italy occuparated under Law No. 298 of 11th April 1953)

Notice is hereby given that for the Interest Period 17th October, 1994 to 18th April, 1995 the Notes will bear a Rare of Interest of 6.175 per cent. per annum. The Coupon Amount will be U.S. \$113,90 per U.S. \$10,000 Note and U.S. \$3,138.96 per U.S. \$100,000 Note sayable on 18th April, 1995.

Bankers Trust Company, London

Agent Bank

NOTICE OF REDEMPTION To the Holders of

Ralston Purina Company 12% Notes due November 28, 1996

NOTICE IS HEREBY CIVEN that, pursuant to Section 4 of the Terms and Conditions of the above Notes', Raision Parina Company has elected to redeem all of the outstanding Notes on November 28, 1994 the Redemption Date; At 100x of the principal amount thereof, together with accrued interest to the Redemption Date (the "Redemption Price"). to the teterempartic large (use exceeding the large) is not be holders upon presentation and autrender of the Agreement of the Realisemption Prices with the made to the holders upon presentation and autrender of the Notes, logisther, in the case of Bearm Notes, with all appointment company matering subsequent to the Redemption Date attached thereto, at the respective offices of the Paying Agents, as follows:

Citibank, N.A.
Citibank (Lovembourg), S.A.
Citibank (House, 336 Strand 16, Avenue Marie Therase Lovembourg 1991)
Lovembourg 1992
Lovembourg 1993
Lovembourg 19

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As of January 1, 1913 withholding of 31% of great redemption proceeds and of any tenerica payment under within the United States only be required by the Interest Revenue Code of 1984, as amended by the Energy Policy Act of 1954, understill be Payling January has the content tampines (devallatation number (social security or emphyses identification could alway, when processing your federal for Payment Policy Interest (payment to the State).

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## INTERNATIONAL COMPANIES AND FINANCE

## MCA managers to discuss buy-out at Matsushita talks

By Alice Rawsthorn in London and Michiyo akamoto in Tokyo

Figure 1 and Philips

from the property sale

as applicat in spite of

The Contract

fulfits the fine

San Mignel onge

Mr Lew Wasserman, veteran chairman of MCA, the Los Angeles-based entertainment group, and Mr Sidney Sheingroup, and air summy summy berg, its president, are expec-ted at a meeting today to raise the subject of taking control of MCA by buying a majority stake from Matsushita, its Japanese parent.

Top managers from MCA are due to meet in Hawaii with representatives of Matsushita, the Japanese electronics company that acquired MCA four

years ago. Matushita yesterday denied it would consider ceding control of MCA, which owns Geffen Records and Columbia Pictures, the studio behind a string of recent recent box office hits, including The Flintstones and Jurassic Park.

Mr Yoichi Morishita, president of Matsushita, said his group had not received notification of a bid for MCA. However, he admitted to a Japa-nese newspaper that there had been differences between MCA and Matsushita over the former's investment plans.

made no secret of its frustra-tion with Matsushita's apparent reluctance to allow the company to participate in the acquisitions and joint ventures sweeping across the entertain-

ment industry.
Since buying MCA for \$6.1bm
in 1990, Maisushita is reported
to have blocked several proposed investments, includin plan to buy a stake in the NBC television network and an earher bid to take control of Virgin Records

Faced with the aggressive expansion of rivals, such as Time Warner and Viacom, Mr Wasserman and Mr Sheinberg are said to have become anxious to free MCA from Matsus-hita's control. The two, both of whom made substantial sums from the Matsushita acquisition, are believed to have discussed the possibility of a buyback with external investors. They are also understood to

have had discussions with the three Hollywood heavyweights Mr David Geffen, the music magnate, Mr Steven Spielberg, the Oscar-winning film direc-tor, and Mr Jeffrey Katzenberg, former head of Walt Disney's movie studios – who last week announced plans to launch a The MCA management has new entertainment group.

## Scott jumps | New York puts new light on nationalisation by 75% as | New York puts new light on nationalisation restructure continues

By Laurie Morse in Chicago

Scott Paper, the international tissue paper manufacturer that has been undergoing a big restructuring, yesterday reported a near 75 per cent jump in third-quarter net income to \$60.8m, or 80 cents a share. This compares with \$35.1m, or 48 cents, in the comparable quarter last year. Scott last week announced

the sale of its S.D. Warren printing paper subsidiary to the South African company Sappi. The deal was part of its strategy to focus on tissuebased consumer products, The profits advance was made in spite of flat sales, at \$1.1bn.

Mr Albert Dunlap, the new chairman brought in to over-see Scott's restructuring, said: "Our third-quarter results represent the best quarterly performance in four years." During the third quarter, S.D. Warren's sales increased

modestly to \$294.7m, from last year's \$290.8m, while its oper-ating income rose to \$26.3m, For the first nine months, Scott recorded income of \$126.0m, or \$1.68, against last

year's \$93.3m, or \$1.26.

## Richard Tomkins examines the arguments for the state's planned \$2.5bn takeover of Lilco A enterprise, is surely the last place anyone would expect to find the public sector proposing to nationalise

a stock-market quoted

That, however, is precisely what the State of New York intends to do with its planned \$2.5bn acquisition of the Long Island Lighting Company, a private sector electricity com-pany known to its customers Thumbing its nose at the

world-wide trend towards pri-vatisation, New York state has asked the company to enter immediate negotiations on its proposed cash offer of \$21.50 a Likro's board says it is "seri-ously evaluating" the offer but it seems quite possible the

company and its shareholders will accept.
Why do it? Lilco, which generates and distributes power in the counties of Nassau, Suffolk and a portion of Queens, is not in imminent danger of collapse. But it is extremely unpopular with its customers because it charges the highest electricity prices in the US -16.1 cents per kWh for residen-tial customers, almost double

the national average of 8.7

Republic of Finland

DM 1.250.000.000

DM 500,000,000

6.50 % Profit-Sharing Cartificates of 1994/2009

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DePfa-Bank

merica, the land of free state, says that taking Lilco into public ownership would cut electricity bills by an immediate 10 per cent because the company would no longer have to pay tax or sharehold-ers' dividends.

The result would be a lot of happy voters when Mr Cuomo is fighting a tough re-election

Mr James McFadden, a utilities analyst at Bear Stearns, the Wall Street securities house, believes the financial case stacks up. The arithmetic goes like this. At present, US electricity

companies need to deliver an annual rate of return of 11 per cent on equity to attract inves-tors. For Lilco, the cost in shareholder dividends works at about \$250m after tax. That means it has to earn \$400m before tax to deliver a satisfactory rate of remuneration.

Tow contrast the case if the company were taken into public ownership. The takeover would be financed through a \$2.5bn issue of tax-exempt revenue bonds. Holders of these would require an interest rate only ? per cent because they would not have to pay tax on the income, so the after-tax cost of servicing the debt would be



Long Island Lighting

Jul 1993

Scurce: FT Granhita

points out there are flaws in

the argument. One is that a

public sector company is unlikely to be better managed

than a private sector one.

Another is that Lilco's tax-exempt status will simply transfer costs from its

customers to federal taxpayers. A third is that the bond issue

will further extend New York

state's indebtedness, leaving it

less room to borrow for other

electricity bills, according to Mr Stelzer, would be to allow

other power companies to sup-ply cheap electricity to Lilco's

customers through Lilco's

Mario Cuomo: fighting a tough re-election battle

figure would be \$175m before

tax, too.
The saving to Lilco would therefore be the difference between \$400m and \$175m; that is, \$225m. Based on Lilco's present annual revenues of \$2.35bn, that would allow for an immediate cut in electricity prices of just under 10 per

The logic is seductive. But if valid, could not the same case be made for nationalising every other private sector utility in the US?

Mr Irwin Stelzer, director of regulatory policy studies at the Mr Mario Cuomo, the Demo-only \$175m. And because a American Enterprise Institute, cratic governor of New York government-owned Lilco would a free-market think-tank,

"The solution to high-cost power is competition, not state monopolies," Mr Stelzer says. In fact, some of Lilco's most pressing problems relate to the

threat of competition. Between 1973 and 1984, the company spent \$5.5hn on constructing a nuclear power station which was never used Now it has to charge high prices to service the debt it incurred - but it can only do so because it enjoys a

monopoly. That could change. The regulatory environment for electric-ity companies is shifting, and Lilco is under increasing pressure to let its customers shop

around for power.
Once that starts to happen Lilco will need to charge even higher prices to maintain revenues from a smaller customer base, leading to a spiral of

uch fears have done little for Lilco's share price: it has generally been head-ing downwards for more than a year. From that point of view, a takeover by New York state

might come as a relief.
But the market yesterday A better way of reducing looked reluctant to gamble that Mr Cuomo would be re-elected to pursue it. Lilco's shares were off \$1% at \$17%, well below the \$21.50 offer

## Two US commercial banks sharply ahead

The pick-up in consumer

quarter earnings yesterday. NationsBank, the third biggest bank with assets of \$167bm, said its consumer loans were up 18 per cent on a year ago, while commercial loans were 10 per cent higher, exclu-

KeyCorp, the Clevelandbased group with assets of \$65bn, reported loans up 13 per cent on a year before. The growth in loans came

rower lending margins.

NationsBank reported aftertax profits of \$431m, up 26 per cent from a year before due partly to acquisitions made since then. Earnings per share rose 17 per cent, to \$1.55, in line with market expectations.

KeyCorp's net income also matched most analysts's projections, with a 14 per cent year-on-year rise, to \$229m. Earnings per share rose 12 per cent. to 92 cents.

However, First Chicago, with assets of \$66bn at the end of September, reported a 46 per cent fall in net income from a record level in the third quarter of 1993. In the previous the sale of equity investments, At NationsBank, which which contributed \$1.40 a maintains large dealing posi- share. The bank reported net

## By Richard Waters in New York 3.54 per cent, and at KeyCorp from 5.3 per cent to 4.69 per

lending in the US this year was the main factor behind double-digit earnings growth at two large US commercial banks which reported third-

ding the effect of acquisitions.

## tions, the net interest margin income of \$154m, or \$1.54 a slipped from 3.83 per cent to share. IBM simplifies range

By Louise Kehoe

in San Francisco reduces the number of designs
International Business IBM will manufacture. The Machines has simplified its personal computer product lines, reducing them from nine ranges to four in an attempt to the hallmark of PC industry. cut costs and reduce confusion

among buyers. The new "branding strategy" is the latest move by IBM to try to regain momentum in the ing campaign, Mr Thoman fiercely competitive PC market. It has fallen from first lines is part of a broad place in the US PC market in 1993 to fourth place behind Compaq Computer, Apple and Packard Bell in the first half of this year.

The company also launched several new desktop and note-book models and cut prices on Thoman. "We are now in a others.

The PC industry has done a brilliant job of innovation and technology," said Mr G.
Richard Thoman, IBM senior The company vice-president and group executive, who took charge of IBM's PC operations in Janu-ily of commercial desktops -

But in the process, we have lost touch with the majority of customers who are all dazed and confused by the complexity in the technology, the array of choices, and the level of sup-

The new IBM brand names are IBM PC, IBM PC Server, ThinkPad (for notebook computers) and Aptiva (for con-

of PC product lines with lines including the PS/1, PS/2 and Value Point, and new approach marks the return of the "IBM PC" brand that for a decade was

> standards. IBM will back its new branding strategy with an aggressive television and print advertisrestructuring effort, he added. Over the past 10 months he has consolidated IBM PC operations and sharply cut its

The changes have been "difposition to respond better and faster to the customer and become the long-term leader in

The company also introthe IBM PC 700 and IBM PC 300

A software suite called IBM PC EasyTools, including appli-cations and programs that help to set up a new computer, will be loaded on the entire IBM PC

Also introduced were a new PC Server and new multimedia notebook computers. Prices were cut by up to 17

sumer products).

The consolidation does away per cent on some existing ThinkPad and PS/2 models.

## AT&T acquires Alaska phone group for \$365m

tance phone company to AT&T dated operations. For the first for \$365m, Reuter reports. Alascom provides Alaska \$160m and \$31m respectively.

with interstate and intrastate long-distance, private line and com was based in part on the other communications ser-

Pacific Telecom is to use the proceeds to fund its local tele-phone exchange acquisition Communications Commission programme, including pur-programme, including pur-chases of lines from US West uring of the Alaska long dis-

\$380m. In 1993 Alascom contributed PacifiCorp.

Pacific Telecom, an 87 per cent owned unit of PacificOrp, is selling its Alascom long dishalf of 1994 the figures were

"The decision to sell Alas

expectation that operating revenues and operating income would decline as the result of chases or lines in Oregon for tance market," said Mr Fred Buckman, chief executive of

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DM 300,000,000 71/1/2 Deutsche Mark Bearer Bonds of 1994/1999



Land Baden-Württembero

DM 500,000,000 sting Rate Landesobligationen of 1994/1999



DIE ERSTE

Spar-Casse - Bank Aktie DM 150,000,000 5 1/% Bearer Bonds of 1994/2001

UNIBANCO Unibanco - União de Bancos Brasileiros S. A.

DM 200,000,000 81/-% Bearer Bonds of 1994/1997

**ASFINAG** 

DM 200,000,000 ating Rate Notes of 1994/1999 2,000,000 Floor Certificates



Kingdom of Sweden

DM 200,000,000 of 1994/2000



National Bank of Hungary

DM 1,000,000,000 8% Bearer Bonds of 1994/2004

IKB Deutsche Industriebank

DM 500,000,000 Floating Rate Notes of 1994/1999



The Council of Europe Resettlement Fund DM 100,000,000

> **KAUFTOF** Kaufhof Finance B.V.

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DM 100,000,000 Bearer Bonds of 1994/2004 nating coupons (fixed/variable/fixed)



DM 250,000,000

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## INTERNATIONAL CAPITAL MARKETS

## Treasuries ease as weak dollar unnerves investors

in New York and Conner Middelmann in London

US Treasury prices eased slightly at both ends of the maturity range yesterday morning as renewed dollar weakness and a rise in commodity prices unnerved bond market investors.

## GOVERNMENT BONDS

By midday, the benchmark 30-year government bond was down & at 95%, to yield 7.845 per cent. The two-year note as also weaker, down 🛓 at 99%, yielding 6.567 per cent. Prices edged lower from the start, due primarily to a slide in the dollar's value on foreign exchange markets overnight.

Investors are worried that fur-

additional pressure by a firming in commodity prices including gold, platinum, silver and crude oil - and by news of a strong business inventories reading for August. According to data released yesterday, business inventories rose 1 per cent in August, a much larger increase than forecast and an indicator that third-quarter economic growth may come in stronger than anticipated

■ German Chancellor Helmut ther declines in the dollar Kohl's narrow election victory might push the Federal gave bunds a boost which rip-

Reserve into raising interest pled across European govern-rates sooner rather than later. ment bond markets. rates sooner rather than later. The Nordic markets derived

Although the Fed generally additional support from the does not change monetary pol-Finnish referendum on Euroicy because of currency conpean Union membership, cerns, it is ready to raise rates which resulted in a vote of 57 if the economy continues to grow slowly. Some analysts believe fresh weakness in the per cent in favour of joining. German government bonds recouped an early drop to end dollar could trigger an early a busy day more than % point move by Fed policy makers.

The market was put under Although bunds had already risen sharply last week in anticipation of a Kohl victory, the rally continued yesterday as capital flows into the market increased, observers said. "Although a lot of people were calling for a Kohl victory, few of them were willing to bet their money on it before the election - the opinion polls were so close until the very end," said Mr Julian Callow,

> "But once people knew the ontcome, there was an immedi-

wort Benson.

European economist at Klein-

ate flow of funds into German assets, especially bonds." Trad-ers reported buying of bunds not only by European fund

managers, but also from east Asian and US investors. This was also reflected in the D-Mark, which rose sharply against most other currencies. Bunds largely ignored weak-

ness in the US Treasury market, which caused the yield spread between the two markets to widen. Mr Callow expects this divergence to continue in the near term as bunds strengthen further. However, he warned that as bund yields approached 7 per cent, that spread would look "very stretched".

close, US Treasury notes yielded some 48 basis points more than bunds. The election hurdle having been overcome, the focus is now back on the Bundesbank

At yesterday's European

September M3 money supply data and October inflation numbers.

French bonds underperformed their German counterparts, causing the 10-year yield spread over bunds to widen to 69 basis points, from 62 on Fri-

The market was depressed by the French franc's weakness against the D-Mark and the shift of the political focus from Germany to France ahead of next year's presidential elec-tions. Political fitters have been exacerbated by recent corruption scandals surrounding members of the government. The OAT futures contract on Matif rose by 0.08 point to 111.90.

■ UK gilts tracked bunds higher and underperformed them only slightly, with the 10-year yield spread widening by two basis points to 132. The as market participants await

**NEW INTERNATIONAL BOND ISSUES** 

December long gilt future rose by % to 102%. In the absence of significant domestic data, gilts are expected to take their cues from international markets until Friday's release of thirdquarter GDP figures.

■ The Nordic markets posted solid gains, boosted both by firmer markets elsewhere and Finland's 57 per cent vote in favour of EU membership.

Mr Paul Donovan, bond analyst at UBS, said: The pros-pect of a positive vote in the Swedish referendum on November 13 has increased; if Sweden agrees to EU membership, there are realistic pros-pects for a 'yes' in Norway's referendum on November 28."

EU membership for Sweden would provide prospects for fis-cal austerity as the government aimed to meet the Maastricht criteria, and support for

## Indosat ADSs set for launch in New York

By Richard Lapper

Trading is set to begin today in New York in the American Depositary Shares (ADSs) issued by Indosat, Indonesia's international telecommunications company, marking the launch of one of Asia's biggest international equity issues.

The Indonesian government which will reduce its stake by some 25 per cent - has raised \$721.13m through an issue of 22.5m ADSs and has an option to sell a further 3.4m. It expected to raise a further \$330m through an issue of new shares to local investors.

Overall, the scale of the deal looks likely to surpass other large Asian issues such as Pakistan Telecommunications (\$917.4m) and Morgan Stanley Asia Pacific (\$802.5m), according to figures produced by IFR

The ADSs (each representing 10 shares) were priced yester-day at \$32.05 each. Roughly half have been directed to US investors. The new Indosat shares will be listed on the Jakarta and Surabaya bourses later this week.

Merrill Lynch and the local brokerage house Danareksa Securities are joint global co-ordinators of the issue. Comanagers of the deal in the US are J.P. Morgan, Salomon Brothers, Lehman Brothers, Goldman Sachs, Morgan Stanley and Smith Barney.

Reportedly oversubscribed in both New York and Jakarta, it should raise the international image of the local market and boost the government's stalled plans to privatise a batch of state companies. The possible privatisation of more than 200

cient, has been mooted for some time. Garuda Indonesia the airline, PT Telkom, the domestic telecommunications firm, and PLN, an electricity company, are the favourites to follow indosat. The issue also confirms a

trend for companies in emerging markets to raise capital through issues of either ADSs, American Depositary Receipts or Global Depositary Receipts. tradeable certificates which represent underlying shares. Earlier this month, a Citibank study showed that issuers from the emerging markets accounted for 61 per cent of ADR programmes launched in the first nine months of the year, compared with only 11 per cent in all of 1990.

The total number of ADR shares traded on the US stock exchanges hit an all-time high of 5.2bm in the period, a 21 per cent increase on the year. The dollar volume of ADRs traded amounted to \$184bn, a rise of

32 per cent. A total of 184 companies from 40 countries launched new ADR or GDR programmes, up from 96 companies in the comparable months of 1993. Depositary receipts were also

used in 17 privatisations. Indian companies were the most active in the ADR market, with 29 issuing new depository receipt programmes in the period, followed by Hong Kong with 17 companies, Brazil and Mexico with 16, and South

Africa with 10. India's Shiram Industrial Enterprises raised \$40m through an issue of GDRs on Friday. Also last week, Banco Ganadero, one of Colombia's largest commercial banks, con-firmed that it, too, intended to

88 tumbles

its of resta

## World Bank follows EIB with three-year lira offering

By Graham Bowley

The World Bank made its debut in the three-year area of the eurolira sector yesterday with a L300bn offering that was targeted mainly at Italian

Elsewhere, the Canadian dollar sector witnessed further

## INTERNATIONAL **BONDS**

issuance, continuing a trend begun last week. Borrowers also launched offerings into a rising D-Mark sector, boosted by the German general election

The success of last month's three-year L500bn deal from the European Investment Bank persuaded the World Bank to sector, joint lead manager IMI

WORLD BOND PRICES

Australia Belgium Canada Denmark France

BENCHMARK GOVERNMENT BONDS

9,000 7,250 8,500 7,000 8,000 5,500 4,500 4,100 5,750 8,000 6,750 8,000

said. The World Bank usually prefers to borrow funds of a maturity of at least five years,

an IMI official said. "This deal recognises that current demand is at the very short maturities in most currency sectors," the official said.

"There is a particular shortage of supranational paper." The bonds, launched with a coupon of 10% per cent, repre-sent the World Bank's first lira offering since a reverse floating-rate note launched in May, IMI said.

France Télécom made its debut in the Canadian dollar sector with a C\$125m offering of three-year bonds priced to yield 12 basis points over Cana-

dian government bonds. Lead manager Paribas said the bonds were targeted mainly at retail investors in Switzerland and the Benelux countries.

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08/99 90-29 +13/32 8.32
11/04 88.413 +18/32 8.47
10/08 104-11 +22/32 8.46
08/04 97-15 -1/32 7.62

Syndicate managers said the bonds were fairly priced. However, some dealers said that the Canadian dollar sector was now becoming congested. The launch follows similar deals last week by the European Investment Bank and Rabo-

"The EIB deal was a success, largely because there had been very little issuance in Canadian dollars for some time. said one syndicate manager. "Then there was Rabobank, and now this deal may just have overdone things."

Also in the Canadian dollar

sector, Manque Nationale de Paris launched a C\$75m offering of six-year bonds, lead managed by Hambros Bank. Syndicate managers said that the bonds, priced to yield 22 basis points over Canadian government bonds, represented very tight pricing for the

(LIFFE)" Lits 200m 100ths of 100%

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M NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES

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In the D-Mark sector, the state of Baden-Württemberg launched a DM750m offering of 10-year bonds priced to yield 25 basis points over German government bonds.

Although there was some interest in the paper from German institutions, most of

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LOW 80.94

III ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Mar

Est. vol Open int.

Mar

3.18 3.41 3.71

2-55 3-26 4-01

the bonds were placed with institutions in the Netherlands, the UK, France and east Asia, excluding Japan, joint lead manager Goldman Sachs

It said many investors were switching out of German gov-

"With state bond issuance falling following privatisation [of state companies], there is clearly room for an alternative to government bonds, and the states are prime candidates with their high implied credit rating and regular funding

ACMIABLES	· · ·			·											
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Coup	b to 5 years (24) 119.38 +0.20 119.28 (15 years (22) 140.36 +0.63 139.84 er 15 years (8) 158.51 +0.77 157.29 eldermables (6) 158.51 +0.77 157.29 eldermables (6) 181.98 +1.00 180.18 stocks (60) 137.45 +0.51 136.97 er 5 years (2) 185.95 +0.11 185.75 er 5 years (2) 185.95 +0.11 185.75 er 5 years (21) 173.69 +0.30 173.17 stocks (13) 174.09 +0.28 173.60 er 5 years (77) 129.41 +0.28 173.60 er a gross redemption yields are shown above. Coupon Bardes to Cut 17 Oct 17 Oct 17 Oct 18 Oct 12 Oct 11 Secs. (UK) 92.28 91.99 91.73 91.34 90.88	b to 5 years (24) 119.38 +0.20 119.28 0.93 15 years (22) 140.38 +0.63 139.84 1.62 er 15 years (8) 158.51 +0.77 157.29 2.64 eldeemables (6) 181.98 +1.00 180.18 4.11 stocks (60) 137.45 +0.51 136.97 1.55 elements (60) 137.45 +0.51 136.97 1.55 er 5 years (2) 185.95 +0.11 185.75 0.20 er 5 years (21) 173.69 +0.30 173.17 0.63 stocks (13) 174.09 +0.28 173.90 0.59 er 5 years (77) 129.41 +0.84 129.33 2.25 er gross redemption yields are shown above. Coupon Bands: Low: 0%-74%; FIXED INTEREST INDICES  Oct 17 Oct 14 Oct 13 Oct 12 Oct 11 Yr ago is Secs. (UK) 92.28 91.89 91.73 91.34 90.88 102.95 10	b to 5 years (24) 119.38 +0.20 119.28 0.93 9.83 15 years (22) 140.36 +0.63 139.84 1.62 10.66 er 15 years (2) 155.51 +0.77 157.29 2.64 9.81 stocks (60) 137.45 +0.61 130.97 1.55 10.35 40.66 (60) 137.45 +0.61 130.97 1.55 10.35 40.66 (60) 137.45 +0.61 130.97 1.55 10.35 40.66 (60) 137.45 +0.61 130.97 1.55 10.35 40.66 (60) 137.45 +0.61 130.97 1.55 10.35 40.66 (60) 137.45 +0.61 130.97 1.55 10.35 40.66 (60) 137.45 +0.61 130.97 1.55 10.35 40.66 (60) 137.45 +0.61 130.97 1.55 10.35 40.66 (60) 137.45 +0.61 130.97 1.55 10.35 40.66 (60) 137.47 1.58 10.36 173.47 1.58 10.36 173.49 173.	10 5 years (24)   119.38	0 to 5 years (24) 119.38 +0.20 119.28 0.93 9.83 5 yrs 8.40 15 years (22) 140.36 +0.63 139.84 7.62 10.66 15 yrs 8.35 er 15 years (2) 159.51 +0.77 157.29 2.64 9.61 20 yrs 8.31 excessionables (6) 181.98 +1.00 180.18 4.11 8.83 irred.† 8.40 stocks (60) 137.45 +0.51 136.97 1.55 10.35	0 to 5 years (24) 119.38 +0.20 119.28 0.93 9.83 5 yrs 8.40 8.49 15 years (22) 140.38 +0.63 139.84 1.62 10.68 15 yrs 8.35 8.44 er 15 years (8) 158.51 +0.77 157.29 2.64 9.81 20 yrs 8.31 8.40 exceptables (6) 181.98 +1.00 180.15 4.11 8.83 irred.† 8.40 8.49 stocks (60) 137.45 +0.51 136.97 1.55 10.35	0 to 5 years (24) 119.38 +0.20 119.28 0.93 9.83 5 yra 8.40 8.49 6.10 15 years (22) 140.36 +0.63 139.84 7.62 10.66 15 yrs 8.35 8.44 6.99 er 15 years (2) 159.51 +0.77 157.29 2.64 9.61 20 yra 8.31 8.40 7.10 addentables (6) 181.98 +1.00 180.18 4.11 8.83 irred.† 8.40 8.49 7.23 stocks (60) 137.45 +0.51 136.97 1.55 10.35	0 to 5 years (24) 119.38 +0.20 119.28 0.93 9.83 5 yrs 8.40 8.49 6.10 8.45 15 years (22) 140.36 +0.63 129.84 1.62 10.66 15 yrs 8.35 8.44 6.99 8.48 er 15 years (2) 159.51 +0.77 157.29 2.64 9.61 20 yrs 8.31 8.40 7.10 8.48 edgemables (6) 181.98 +1.00 180.18 4.11 8.83 irred.† 8.40 8.49 7.23 edgemables (60) 137.45 +0.51 136.97 1.55 10.35	0 to 5 years (24) 119.38 +0.20 119.28 0.93 9.83 5 yrs 8.40 8.49 6.10 8.45 8.55 15 years (22) 140.36 +0.63 139.84 1.62 10.66 15 yrs 8.35 8.44 6.99 8.49 8.59 er 15 years (9) 158.51 +0.77 157.29 2.64 9.61 20 yrs 8.31 8.40 7.10 8.48 8.68 stockernables (6) 181.98 +1.00 180.18 4.11 8.83 irred.† 8.40 8.49 7.23 determables (60) 137.45 +0.51 136.97 1.55 10.35	0 to 5 years (24) 119.38 +0.20 119.28 0.93 8.83 5 yrs 8.40 8.49 6.10 8.45 8.55 8.34 15 years (22) 140.36 +0.63 139.84 1.62 10.66 15 yrs 8.35 8.44 6.99 8.49 8.58 7.15 er 15 years (2) 158.51 +0.77 157.29 2.64 9.51 20 yrs 8.31 8.40 7.10 8.48 8.68 7.20 obtainables (6) 181.98 +1.00 180.18 4.11 8.83 irred.† 8.40 8.49 7.23 stocks (60) 137.45 +0.51 136.97 1.55 10.35	0 to 5 years (24) 119.38 +0.20 119.28 0.93 9.83 5 yrs 8.40 8.49 6.10 8.45 8.55 6.34 8.60 15 years (22) 140.38 +0.63 139.84 1.62 10.68 15 yrs 8.35 8.44 6.99 8.48 8.53 7.15 8.70 er 15 years (2) 159.51 +0.77 157.29 2.64 9.51 20 yrs 8.31 8.40 7.10 8.48 8.58 7.20 8.58 extensibles (6) 181.98 +1.00 180.15 4.11 8.83 irred.† 8.40 8.49 7.23 tocks (60) 137.45 +0.51 136.97 1.55 10.35	0 to 5 years (24) 119.38 +0.20 119.28 0.93 9.83 5 yrs 8.40 8.49 6.10 8.45 8.55 6.34 8.60 8.70 15 years (22) 140.36 +0.63 139.84 1.62 10.66 15 yrs 8.35 8.44 6.99 8.48 8.58 7.15 8.70 8.79 er 15 years (2) 159.51 +0.77 157.29 2.64 9.81 20 yrs 8.31 8.40 7.10 8.46 8.58 7.20 8.58 8.66 addentables (6) 181.98 +1.00 180.18 4.11 8.83 irred.† 8.40 8.49 7.23 stocks (60) 137.45 +0.51 136.97 1.55 10.35

Govt. Secs. (UK) 92.25 91.8 Fixed interest 109.69 108.8						ged bas		•	97.9 103.6 99.2 95.6	105,3 90,6	98.0 84.7		91.2 78.9
" for 1994. Government Securities high at 26 and Flood interest 1928. SE activity	nce comp	Maticax 12 books 19	27.40 (SI 74.	1/35), low 49.18 (3/1/75). Fixed interest	high sind	se compl	etions	185.87 (	21/1/64) , low 50.53 (5/1/75)	. Same 100:	GOVERN	ient Sacuri	ides 15/10/
FT/ISMA INTERNATIO					·								
Listed are the talest international bonds to		there is a or Chg.	-	ale secondary meriat. Letast prices at leased	_					Swed	Bid	Offer CI	hu. Yield
U.S. DOLLAR STRAIGHTS				United Kingdom 71s 97 5500		10112	<del></del>	6.65	Abbey Net Treesury 8 03 2	4000	9219		4 9.87
Althor Nati Tressury 612 03 1000	6 <sup>1</sup> 2 8	다 다	825	Volkswagen Int Fin 7 (IS	82 <sub>3</sub> 4	957 214	42	7.77	Alterco Laica 114 97 E	100	106 <sup>1</sup>	10812 -	858
Alberta Province 7% 98 1000 N Austria 8/2 00 400 10	91. 10°	312	7.59 7.71	World Bank 5% 03	- 89³ <sub>2</sub>	8912	+lg	7.71 7.53	British Land 87: 23 £	800	89 <sup>1</sup> 2		12 10.24 14 8.72
Berix of Tologo 84, 86	15 10 31 8	21g 312	7.11 6.19	World Bank 6 <sup>2</sup> 4 00	110	11012	J.	6.52	EB 10 97 2 Hallox 103 <sub>8</sub> 97 2 Hanson 103 <sub>8</sub> 97 2	<del>68</del> 7		1087a 1041 <sub>2</sub>	8.22 8.34
8FCE 7 <sup>3</sup> 4 97 150 10	14 10	14	7.13	SNISS FRANC STRACKTS			,		Hanson 10 <sup>3</sup> 97 P	500	103%	1044	B.85
Canada 996	29 IU		8.94 6.67	Austria 4 <sup>1</sup> 2 00 1000	96 <sup>)</sup> 4	100 <sup>1</sup> 2	+# - -	602 532	HSBC Holdings 11,69 02 £ Inly 10 <sup>1</sup> 2 14 £	157 400		1103g +	L, 9,78 L, 9,58
Cheung Kong Fin 6 <sup>1</sup> 2 98	95g 90 52⊾ 84	)님 3님, 그님	8.71 9.05	Counci Europe 4 <sup>3</sup> 4 98		99 <sup>1</sup> 4		5.16 5.31	Japan Day Bik 7 00 £	200	92 <sup>1</sup> 4 98 <b>7</b> 4	92 <sup>1</sup> 2 +	Ag 8271
China 6/2 04 1000 6 Council Europe 8 96 100 96	15 10		6.98	EBS 6 <sup>1</sup> s 04 300 Elec de France 7 <sup>1</sup> s 08 100	10514	105%		6.03	Ontario 111 of E	100	1081	108 <sup>1</sup> 2 +	4 934
Denmark 54, 98	5½ 9	<b>5</b> 4.	7,63 7,29	Finland 7'4 99	107	1081 <u>2</u> 1071 <sub>2</sub>		6.29 5.60	Powerpen 87 08 2 Severn Trent 11 12 99 2 Tologo Elec Power 11 01 E .	250 150	97 <sup>1</sup> e 108 <sup>5</sup> a		와 9.37 4 9.15
East Jupan Palmay 6% 04 600 8 ECSC 81: 96 199 10	95a 86 24a 103	7. 4.	8.24 7.12	Hyundai Motor Fin 8 <sup>1</sup> 2 97 100 Josient 7 <sup>5</sup> s 00 100	105 <sup>1</sup> 2 197	106 <sup>1</sup> 2 108		6.36 8.14	Tolgo Elec Power 11 01 E .	150	108-2	106% +	ie. 923
ECSC 8 <sup>1</sup> 4 96 193 10 ESC 8 <sup>1</sup> 4 98 100	102 103	4	6.91	tolland 75 00 100 Kabe 65 01 240 Ontanio 64 03 400	103	10372		5.82	Abbey National 0 98 NZ\$ TCNZ Fin 9½ 02 NZ\$ Credit Local 8 01 FFr	75	84 97%	9874	1 925 1 954
96 9 <sup>2</sup> 4 97 1000 10		≨. <u>-</u>	6.85 7.25	Cuebec Hydro 5 08	100 85	100½ 85	+1	6 <u>.2</u> 4 6.73	Elec de France 64; 22 FFr _	7000 3000	88# .	100 gr	4, 8.05 4, 8.77
EB 74, 96 250 10 GB 64, 97 1000 10 Elec de France 9 86 200 10 Eurofran 94, 96 100 10			7.47 6.78	SNCF 7 04 480 World Bank 5 03 180	1073 <u>u</u> 854	107¾ 96		6.00 5.70	SNCF 64, 87 FFr	4000	1044	104	7.28
ESHITI DETECTOR SEPTEMBER & LEEK	100	14.	8.01	World Benk 7 01 600	107	10712	+12	5.65	FLOATING RATE NOTES				
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Finland 6% 97 3000 9 Finnish Export 6% 95 200 10 Ford Mixtor Credit 6% 96 1500 9	9½ 96 2¾ 1	Йц 09	7,43 8,51	Belgium 5 99 75000 BB 6 to 100000	1024g 1025a	102 <sup>1</sup> 4 1087	+ <b>1</b> 8	4.53 4.57	Abbey Mail Tressury - 2 99 . Benco Roma 0 99	1000 200	96.36 98.88	\$8.47 100.01	
Ford Motor Credit 64, 98 1500 9	% 96 % 103		7.67 6.92	Firstand 6% 98 50000 Inter Arner Dev 714 00 30000	104%	105		3.30	Benco Rome () 98 Belgium 1/2 97 OM	500	100.12	100.23	5.1260
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Ind Bit Japan Pin 7/g 97 200 10 Inter Armer Day 7/g 96 200 10	1 <sup>3</sup> 2 101 14 101		7.61 6.89	Japan Dev Bk 6 99 100000 Japan Dev Sk 6 01 120001	1023 <sub>4</sub>	102% 110%	₩.	437	COCE 0 08 Ecu	2000 200	99.18 98.95	99.26 99.20	
Rely 67: 23 3500 7	4	79	9.14 7.92	Bay 3/2 07 300000 Jepan Dev Bi; 6 90 100000 Jepan Dev Bi; 6 90 120000 Jepan Dev Bi; 6 20 11 20000 Migray Si 97 96 20000 Norway Si 97 150000 SNCF 6i, 00 20000	104-2	104%		3.48	Certada - 1 <sub>4</sub> 99 CCCE 0 06 Ecu Credit Lyonnais 1 <sub>5</sub> 00 Desirrank - 1 <sub>6</sub> 96 Dreadner Finance J. 98 Date	300	97.55	. 98.07	5.8125
Kensel Bec Pwr 10 98	µ <sub>8</sub> 104	P <sub>a</sub>	6.86	SNCF 64, 00 10000	1103-5	104 170 <sup>1</sup> 4		3.85 4.80	Dreedner Finance & 98 DM	1000 1000	99.55 99.97	99.55 100.07	5.0625 5.0838
Kones Elec Power 6 <sup>2</sup> s 03 1950 6 LTCS Fin 8 97 200 10	以 85 路 101		2.04 7.54	Spein 5% 02 125000 Sweden 4% 98 150000 World Bank 5% 02 250000	105 <sup>1</sup> 2 101 1	105% 101½	42	4.25 4.16	Ferro del Stat 0.10 97 Riciand 0 97	420 1000	99.96 99.93	190.17 100.01	5.1300 6.5750
LTCS Fin 8 97 200 10 Matsushita Bec 74, 02 1000 9 Norway 74, 97 1000 10 Ontario 73, 03 3000 9	원 95 원 100		8.22 7.11	World Benk 54, 02 250000	10374	1033	••	4.78	heland 0 98	300	99,86	99,78	4,8800
Ontario 73 <sub>8</sub> 03 3000 9	4 6	<b>Š</b>	R.37	OTHER STRAIGHTS					LKR Rader-Miles Br. J., co	4888	100.14 99.44	100.22 99.54	4.6625
Oster Kontrollbenk 6 <sup>1</sup> 2 01 200 Petro-Canada 7 <sup>1</sup> 4 98 200 10	03 103 14 100		7.87 7.04	Gerifinance Lux 94; 90 LF: 1000 IKB Daut industrik 812 03 LFr 3000	100% 100%	1054; 1014;		7.61 8.45	Lloyde Benk Perp S 0.10 Makapsie 14 05	200	82.05 99.25	68.23 99.60	
Portugal 6%, 03 1000	85 85 96 106		8.30 7.92	World Bank 8 96 LFr 1000 ABN Amio 65, 00 Fl 1000	100	101			NOS / Phion/Lub 05	4450	99,60	66.73	5,4458
Quebec Prov 8 98 200 10	4 103	ياس يلا	7,87	Barrik Ned Germeenten 7 03 Pt 1500	95	96% 96%		7.41 7.86	Ontario 0 99 Rente 0 98 Societe Generale 0 96	2000 500	99.53 98.36	99.60 99.57	4,9575 5,1250
Sairebury 9 <sup>1</sup> y 96 150 100 SAS 10 89 200 100			7.21 8.42	AlbertsProvince 10 <sup>5</sup> y 96 C\$ 500 Bell Cameria 10 <sup>5</sup> y 88 C\$ 150	1032	1037g 1051 <sub>2</sub>	ᆤ	7.68 9.26	Societe Generale 0 96 Stantsbank Berlin -0.05 96 D	300	99.58 98.92	99,71 99,97	8.3750 5.2000
	1	1	7.51	British Columbia 10 96 CS	1031	103 <sup>3</sup> 8	-	7,82	State Elk Victoria n.ns. co	126	89.72	99.83	5.1125
Spain 6 <sup>1</sup> <sub>2</sub> 99 1500 9 Spain 6 <sup>1</sup> <sub>3</sub> 99 2500 100 Sweden 5 <sup>1</sup> <sub>2</sub> 95 2500 9 Swedish Export 8 <sup>1</sup> <sub>3</sub> 95 700 1	A, 95 A, 102		7.69 7.09	88 16 <sup>1</sup> 4 95 CS 130 Bac de France 9 <sup>2</sup> 4 99 CS 275	105½ 102¾	1065 <sub>8</sub> 1037 <sub>4</sub>	<b>ي</b> د	8.17 9.02	Sweden 0 96 Sweden -1 <sub>6</sub> 01	1500 2000	99.83 98.77	99.83 98.86	5,0000 4,8250
Sweden 51 <sub>2</sub> 95 2500 9	74. 99 02. 102		6.55 6.86	Gen Bec Capital 10 95 C\$	1024	1033	4	8.01	United Kingdom -1 <sub>8</sub> 86	4000	89,77	90.84 H8.48	5.0000
TORRO EIRC PTIMER 644 (US	- 87	ર્ય	8,16	XTW les Fin to 01 C\$ 400 Neppon Tel Tel 104; 99 C\$ 200	1045	103 <sup>1</sup> 2 205 <sup>1</sup> 8	걐	9.36 9.06	CONVERTIBLE BONDS				
Talsja Metropolis 6 <sup>3</sup> s 96 200 102 Yayota Maka 5 <sup>3</sup> s 96 1500 9	94, 102 78, 96		7.0S 7.98	Ordanio 6 03 CS	91% 1001	92 <sup>1</sup> 4 106 <sup>1</sup> 2	ᅸ	8.65			MIN.		
United Kingdom 74, 02 3000	96 96	¥.	7.93	Oster Kontrollbank 104 99 CS 150	104	1057	-8	9.11 9.00	Browning-Fants 8% 05	leasued Pr		Eld Offer	
World Bank 8 <sup>3</sup> 1 99 1500 100 World Bank 8 <sup>3</sup> 1 97 1500 1	P4 104 04 104		7.50 7.01	Ovebec Prov 10 <sup>1</sup> 2 96 CS 200 Regium 9 <sup>1</sup> 8 98 Ecu 1250	104 <sup>1</sup> 2	105 1021 <sub>2</sub>	μg	9.13	Campp Cabital 6 88 ———	_409 52 _250	/½ 192 88 100	25, 93% Dia 101%	4225
		•		Council Europe & OT Ecu 1100	102	10212	4	7.24 8.61	Crubb Capital 6 98 Gold Kalgozde 712 00 Harress 8 marter 0 00 0	65 LOS	54 111	1134	481.BS
DEUTSCHE MARK STRAKEHTS Austra 61/2 24 2000 8	A 23	والد ما	7.98	Cecit Lyomeis 9 66 Eau	1045-	102 <sup>4</sup> 8 104 <sup>2</sup> 4						42 105% 32 742	
Credit Fonder 7's 03 2000 99	¥. 96	'n +k	7.61	Ferro del Stat 10 <sup>1</sup> 1 98 Ecu 500	1047	1054	+ <sup>2</sup> g		HONG Kong Land 4 01 Land Secu A3 no e	410 St.J	05 79		-18.57
Depter Bit Fin 7 <sup>1</sup> 2 03 2000 91 Depter Bit Fin 7 <sup>1</sup> 2 03 2009 91	1 10 4 81	š +4.	6.81 7.69	Spain 9 98 Fox 1000	1004	109 1023 <sub>8</sub>	478	6.69 7.40	Lesmo 74, 05 f	80 5	54 81	4 822	
	મે 99 4. 97		7.50	United Kingdom 91g 01 Ecu 2750 AEC; 10 99 AS 100	10374	103 <sup>3</sup> 2 107 <sup>3</sup> 8	4					78 874 No. 100%	
EE 6 <sup>1</sup> 4 00	2 95	4 4	7.26	Comm Bk Australia 134, 98 A\$ 100	1134	3144	₽Ī.					4 1104	+4.00
984 74 98	\$ 100	5 44	7.34 7.10	SB 7% 99 A\$ 350 NSW Tressury Zero () 20 A\$ 1000	34 <sup>1</sup> 2 73	95 84:	ᅫ	9.38	Ogden 6 02 Pennant 41; 03 Sumbney Benk 31; 04 Sun Allience 71, no c	85 30.0 85 30.0	77 BA 87 92	ել 864 Է 884	
LGS Baden-Whent 6½ 08 2250 65	4 88	1 -4 1 -4	7.94	R & 1 Benk 7 4, 03 AS 125	85 <sup>1</sup> 1	85%	*	10.43	Surritomo Benk 31 <sub>8</sub> 04	- 300 360¢	9 79	Pa 80%	+19.97
Ortario 6 <sup>1</sup> 4 04 1500	90 9C	k +k	7.80	State: Bit NSW 8 02 AS 500 Stin Aust Govt Fin 9 02 AS 150	92	92½ 92½		10.51 · 10.53	Teaco Capital 9 05 £	~ 1300 S ~2000 S	ia 97 51 1	5 95% 13 114	-2026
Spain 74, 03 4000 97 Sweden 8 97 2500 102		i +i	7.63	Uniterer Australia 12 98 AS 150	10814	108%	+3-	9.74	Sun Alliano PT, 08 £ Tesco Capital 9 05 £ Tesca Instruments 21, 02 No Information available - ; £ Only one market maker au	300 E2	7 <sub>6</sub> 98		
STREET BOATS The visit is the visit in	•			Western Aust Trees 75 98 AS 100		945	+-8	957	I will one market maker su	opied a price	,		

7.250 7.500 6.000 08/04 11/24 04/04 97~15 95~31 84.5900 -1/32 -3/32 +0.320 7.82 7.85 8.41 7.69 7.90 8.66 Treasury BBIs and Bond Yields

4.84 Two year

4.85 Three year

5.01 Three year

6.51 10-year

6.63 30-year MOTIONAL UK GILT FUTURES (LIFFE)\* 250,000 32nds of 100% Open Sett price Change 101-16 102-13 +0-21 101-16 +0-21 **BOND FUTURES AND OPTIONS** 111.90 111.14 110.38 +0.08 +0.08 +0.08 134,240 6,779 661 Strike Price 110 111 112 113 114 1.53 1.96 -IL ECU BOND FUTURES (MATIF) Sett price Change 81.52 +0.32 High 91.17 90.33 Est, vol Open int. 244982 159735 401 4127 Low

Latest 99-04 98-14 97-27 Change -0-07 -0-08 -0-10 Low 98-29 98-09 97-24 Est. vol. 472,345 2,129 1,071 406,249 25,837 11,331 PUTS — Jan 1.88 1.99 2.33 Dec 1.02 1.27 1.57 2.00 2.29 2.61 Open Low 107.46 Est. voi Open int, 1153 UK GILTS PRICES

| Foresting 31-per 1899-4 | 4.78 | 7.35 | 7.314 |
| Conversion 81-per 2004 | 8.95 | 8.55 | 106 jour 199 jour 2005 | 8.91 | 8.47 | 8.81 |
| Frees 81-per 2004 | 8.91 | 8.47 | 8.81 | 106 jour 199 jour 2005 | 8.91 | 8.51 | 106 jour 199 jour 2005 | 8.91 | 8.51 | 106 jour 199 jour 2005 | 8.91 | 8.51 | 106 jour 2005 | 8.91 | 8.91 | 22 jour 2005 | 8.91 | 8.91 | 22 jour 2005 | 8.91 | 8.92 | 8.92 | 8.92 | 8.92 | 8.92 | 8.92 | 8.92 | 8.92 | 8.92 | 8.92 | 8.92 | 8.92 | 8.92 | 8.93 | 109 jour 2005 | 10 대 853 대 1556 대 1556 나 1006 대 1257 대 1452 대 1452 대 1115 대 994 1013 843 97 1024 1184 904 915 1124 953 1243 9912 Each Spc Gas 1990-95
10-bpc 1995
10-bpc 1995
14pc 1995
14pc 1996
15-bpc 1996
15-bpc 1996
15-bpc 1996
15-bpc 1996
17-bpc 1997
17-bpc 1998
17-bpc 1998
17-bpc 1998
17-bpc 1998 One Fifteen Years
Trees Sp. 2009
Trees S 1/4pc 2019
Trees Sp. 2012‡
Trees Sp. 2012‡
Trees Sp. 2012‡
Trees Sp. 2012‡
Trees Sp. 2012†
Trees Sp. 2013‡
Trees Sp. 2013‡
Trees Sp. 2013‡
Trees Sp. 2013†
Trees Sp. 2017‡
Erch 12pc 2013–17 8.44 8.29 8.40 8.39 8.14 8.33 8.37 8.54 8.31 7.52 8.53 8.53 7.31 8.27 8.29 8.39 8.39 Other Fixed Interest

| Test | 9.16 9.74 8.77 11.98 10.51 10.59 9.45 9.29 10.04 111/8 118/2 97/4 100/6 108/2 14/2 12/1/2 57 32/2 114/2 60 12/1/2 13/2 13/2 13/2 8.46 1133 8.43 1074 6.32 905 8.45 1074 - 986 8.45 1024 8.63 1194 8.63 1064, 8.49 824 8.53 1084 8.53 1084 8.53 1084 8.53 1084 8.53 1084 8.53 1084 8.53 1084 8.53 1084 8.53 1084 +13 128 Å +15 121 Å +15 101 Å +15 101 Å +15 110 Å +12 118 Å +13 103 Å +13 103 Å +13 123 Å 10,77 8,74 6,60 9,57 -8,80 10,90 9,38 7,60 9,18 8,28 9,22 14 T

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TEASIST TO TORREST TOR

Whisky producer hints at diversifying into other spirits

Despite difficult conditions over the past year, Highland's

## Highland advances to £42.5m

By Roderick Oram, Consumer industries Editor

Highland Distilleries, the independent Scotch whisky producer, reported yesterday a rise in pre-tax profits from £38.8m to £42.5m for the year to August 31 and hinted that it was thinking of diversifying

into other spirits.

Despite its success from focusing on Scotch, "we see ourselves as a premium spirits company. If there are opportu-nities in other spirits, we wouldn't say 'no'," Mr Brian

Ivory, chief executive, said.
"Other spirits would give our sales and distribution another sector of the market," said Mr John Goodwin, chairman, Nelther he nor Mr Ivory would be drawn on which drinks Highland was looking at or whether it would buy or build brands. We're working very hard on this and within the next year,

we'll come out with some-

Operating margins at New

Look, the women's wear chain. grew to 16.9 per cent in its first half, the pathfinder prospectus

The 224-shop chain, which hopes for a market value above

£150m, made operating profits

of £9.92m on sales of £58.7m in

the six months to September

24. In the year to the end of March, when operating mar-

gins were 12.5 per cent, operat-

ing profits were £11.1m on

Mr Tom Singh, founder and

deputy chairman, said the

group was well on course for

Restructuring costs of £500,000

and technical services com-

pany, from a restated 2602.000

to just £15,000 for the six

The shares closed 2p down at

Turnover of continuing

operations rose by 41 per cent, from £22.9m to £32.3m. Operat-

ing profits fell from £1.88m to

The technical services division suffered "significant losses", which would continue

into the second half, said Mr

The company had recently

won two contracts for test rigs, company.

Noel Haves, chairman.

months to June 30.

oup, the consumer products

By David Blackwell

showed yesterday.

sales of £88.4m.

Famous Grouse Scotch brand, accounting for three quarters of group operating profits of £24.4m (£23.5m), held its second place in the UK market behind Bell's, but its share slipped to 13.8 per cent (14 per cent). It increased exports by 14 per cent in volume terms and 24 per cent by value.
Sales of new fillings and

mature whiskies were steady, but profits were lower in the latest financial year. Orders for new fillings this year were up Income from associates rose to £11.3m (£9.3m), reflecting a

larger contribution from

Robertson & Baxter, a distiller, and the first time equity accounting of Highland's 50 per cent interest in the North British grain distillery. With Christmas threatening

to bring another whisky price war Highland expressed confidence in its strategy of main-

year. Sales per square foot were £449 in 1993-94, up from

He attributes the growth,

among other factors, to a stock

turnover rate of more than 15

times, compared with a sector

average of eight times. More

than 1.5m customers pass

through the shops every

The group is wholly owned by the Singh family. About 35 per cent of the equity is com-

ing to the market through a

placing and intermediaries offer. Mr Singh will not be

selling any shares. He will

have about 9 per cent of the

company after flotation.

Ross tumbles to £15,000 as

apparent in the 1996 results.

reduced pre-tax profits at Ross margins, together with the interim dividend (0.2p). The

costs of integrating three busi-

nesses into one site at Bolton,

depressed profits in the con-

Better news came from the

Powercords division, which

makes plug-in power supplies

for mobile phones, said Mr Hayes. Tadmod was expected

to increase turnover by 75 per

cent in 1994, and Ross was anticipating a further 35 per

cent increase for 1995. The group is targeting Asian mar-kets through Accom, its joint

The group also disposed of

Traveller, its travel accessories

venture company in China.

sumer products division.

costs of restructuring bite

New Look margins grow

to 16.9% in first half

£299 in 1989-90.

**Highland Distilleries** Share price (pence)

taining its premium market

Highland planned to use the same approach as last year when it maintained its pre-mium pricing and refrained from joining its rivals discounts for buying multiple bot-

Turnover rose 3 per cent from £171.1m to £175.8m. A 5.5p

flom of new money, most of

which will be spent on free-

The prospectus shows that

Mr Singh, the managing direc-

tor and the corporate develop-

ment director will be paid 2 per

cent of any increase in net

profits under a bonus scheme.

Mr Singh said yesterday that

the group was highly incentiv-

ised, with bonus schemes for all its workers, including the

71 per cent of staff who are

Impact day is November 3

and dealings are expected to

begin on November 18. Spon-

sors are J Henry Schroder

Wagg and brokers James

0.04p, compared with earnings

company will not make a deci-

sion on a final dividend until

the end of the first quarter of

Geared Income Investment

Trust net asset value was

98.89p per share at September

30, compared with 97.71p a year

Net revenue for the six

month period slipped to

2778,519 (2901,497) for earnings

per share of 3.42p (4.1p). An unchanged second quarterly

dividend of 1.75p is declared.

Geared Income

Stiff competition and small of 0.29p, and there is no

final dividend is proposed, making 7.26p (6.6p) for the year. Earnings per share were up 9 per cent at 21.9p and the company is proposing to buy back up to 5 per cent of its

Highland has proved again the wisdom of focusing on Scotch and the Famous Grouse brand. The strategy will face another test this Christmas when the group will defend its premium market position against pricecutting competitors. But the brand's inherent strength is likely to produce pre-tax profits of about £46m this year for earnings of 23.7p and a pro-spective p/e of 17.6. This is expensive relative to the market and the suggestion of broadening the drinks portfolio might undermine the shares until Highland's strategy is clarified. With these uncertainties, the shares fell 14p to 419p

## Kelt Energy buoyed by lower interest

A sharp reduction in interest charges helped Kelt Energy. the oil and gas producer and explorer, increase interim profits in spite of lower oil

Profits after tax for the six months to end-fune rose from £2.54m to £2.77m after a reduced interest charge of £523,000 (£1.05m).

Strong operating cashflow enabled the company to repay fixed interest loans of \$15.2m (£9.6m) and \$6.97m and to reduce gearing to 4 per cent (9 per cent) in spite of acquisi-tions in Gabon and heavy investment in its Colombian

Turnover was down at £15.6m (£18.2m), with the profit improvement being achieved in spite of oil prices on average \$3 per barrel (15 per cent) lower than in the first half of last year. The price fall was, however, partly offset by higher production, with daily output running 17 per cent above that achieved last year.

Earnings per share were unchanged at 1.8p.

## Airtours stretches sea-legs in £35m buy

By David Blackwell

The detour by Airtours into the cruise market, launched in April with the purchase of a Norwegian ship, has taken off faster than the group expec-

Yesterday the UK's second biggest holiday company paid \$35m cash for a second ship almost six months before a single passenger embarks on an Airtours cruise.

We were surprised by the demand in the market place," said Mr Hugh Collinson, managing director, adding that disappointed that more than 90 per cent of the cruises on the first ship had already been sold. "We were keen to get a sec-

ond ship to take advantage of the pent up demand," he said. The group's first boat, the Seawing, has room for 800 passengers, and sets sail under the Airtours banner on March

Its purchase for £16m was announced on April 28 at the same time as an £82m rights issue and the acquisition of SAS Leisure for £74m. The group said at the time that it had no immediate plans to invest in further cruise ships. The Nordic Prince, bought esterday from Royal Carib

bean Cruises, can take more than 1,200 passengers. Air-tours takes delivery at the beginning of next year, but is leasing the ship back to Royal Caribbean until March 15. Mr Collinson said the ship would then undergo a minor refit - mainly of furnishings -

and start operations for Airtours on May 6 from Palma in the Mediterraneau. Airtours is using its existing marketing and reservation systems for its cruise holidays which can be combined with

stays ashore. Mr Collinson said summer prices for a flight and an inside cabin ranged from £399 to £549 per person a week which he claimed was £300 below competitors' prices.

April's rights issue price was 390p. Yesterday the shares edged ahead 3p to

## Division's \$2m step into

Division, one of a small group the entertainment husiness.

entertainment for 18 to 35-yearolds. Its centres follow the robots or a race beneath the

The idea is to create an electronic equivalent of the setting where social ambience is as important as the game, as with a bowling alley, for example Electronics supplied by Divi-

has been the engineering sector. Its largest customer is Matsushita Electric of Japan, for which it built a system that simulates a kitchen complete with white goods. It recently sold a system to McDonnell Douglas which simulates the

## BAe confident that Avro will break even by 1997

Lossmaker's delivery to Lufthansa a 'milestone'

By Paul Betts, Aerospace

British Aerospace expects its lossmaking Avro regional jet operations to break even by 1997; earlier if the regional aircraft market recovers more quickly as a result of the extensive restructuring of the nast three years.

Avro is expected to lose about £50m this year on sales of between £400m and £500m. Mr Michael Donovan, Avro's new chief executive, said yes terday that break-even would be achieved even without a joint venture with other

regional jet manufacturers.
The company has shed 6,000 jobs in the last three years and now employs only 2,000 at its assembly facility at Woodford, near Manchester.

Mr Donovan was speaking at the hand-over of the first of three Avro RJ85 jets to Lufthansa's regional subsidiary. Cityline. The German airline is the first large international flag carrier to order the air-

"The delivery to Lufthansa represents a milestone in the history of Avro, and indeed British Aerospace," said Mr Donovan Lufthansa has also taken options to acquire an additional three RJ aircraft. Talks are continuing between BAe and Fokker, the

Dutch regional aircraft manufacturer owned by Deutsche Aerospace, on the establishment of a regional aircraft joint venture modelled on European Airbus, the large airliner consortium. These discussions are likely to take time, although both companies acknowledge that they share a vision of the need to regroup in the European regional jet mar-

BAe is also keeping its options open over possible collaboration with Asia-Pacific manufacturers, since it believes that Asia will become the biggest market for regional iets. BAe failed to negotiate a regional jet joint venture with Taiwan last year, but Taiwan is understood to be still inter-

Mr Donovan stressed that any joint venture would be customer-driven. Although the industrial logic argued in favour of a European grouping of regional jet manufacturers to reduce excess capacity, European manufacturers had to be open to possible joint ventures with Asian partners -a prerequisite for largescale aircraft sales in that

This year Avro has won 18 orders for its jets (equivalent to one year's production) and has an order backlog of 29 air-

At its peak five years ago BAe was producing about 40 regional jets from its two assembly lines at Woodford and Haifield, Hertfordshire. Hatfield has since been closed. BAe is also continuing its ners for its lossmaking turbo-propeller activities regrouped around Prestwick, Scotland. cult challenge as the turboprop business is estimated to

be losing some £150m a year. Unlike the regional jet operations, the future of the joint venture since the company believes it is highly unlikely that these activities can break even on their own. RAe has been talking to the Franco-Italian ATR consor-

The problem for the turboprop business is that regional airlines are tending to trade up their turbo-prop aircraft for

Overall, BAe is confident its commercial aircraft operations which turned over £1.6bn iast year - will be profitable by 1997, largely because of the contribution from its 20 per cent stake in the Airbus consortium. Airbus is already contributing profits and these are expected to grow as it delivers more high-value wide-body air-

## Survey reveals average 8.5% increase in directors' pay

By Richard Wolffe

Directors' pay rose by an average 8.5 per cent this year, more than six percentage points above inflation, according to a survey published yesterday.

Chief executives, directors and senior executives earn an average basic salary of £109,030, increasing to £183,787 when bonuses and other benefits are included.

The survey, by actuaries Bacon & Woodrow, of 954 directors in 126 companies, also revealed a widening pay gap between small and large busi-

Directors at companies with turnover of more than £1.25bn enjoyed a 10 per cent pay rise, compared with 6 per cent for those at companies with less than £125m turnover.

"Our survey data shows that directors' earnings differentials are widening between the successful and the struggling companies, as performance-related pay becomes a larger part of the remuneration mix," said Mr Keith McNelsh, pay and benefits consultant at Bacon & Woodrow.

The salary gap between executives has also increased over the past 12 months, with the differential between chief executives and their senior executives rising from 136 to 170 per

Chief executives: the total package Basic salary Life assurance Medical Insurance Permanent health insurance Extra holiday# Subsidised loans Other benefits

Comparative rememeration packages\*\* Under £50- £75- £100- £150- £200- £250k+ 950k 975k 9100k 9150k 9200k 9250k

Senior executive Total 49 91 194

resisted institutional pressure to move away from three-year

rolling contracts. In a telephone survey of the FT-SE 100 companies, more than half said their chief executives worked under three-year contracts, which can command

intention to reduce the length profile campaign by leading investment institutions.

UK's average director is aged 48 and male. Of the 954 executives surveyed, just 32 are

This is the team: Industry. Power, Transportation. To common strategic picion,

graphed and coordinated, they become together the amongst the leaders in Elec-

OUR STRENGTH IS TEAMWORK, WITH INSPIRED SHOOTING.

actional level, cresting

intelligence, preparation,

son, the best team, wins.

## electronic entertainment

of public companies specialising in virtual reality technology, has taken its first step in It will announce today a \$2.3m (£1.45m) order from Virtual World Entertainment of Chicago, which is pioneering a form of entertainment centre. The VWE order marks Division's first success in an area with great potential for virtual

reality companies.

VWE specialises in electronic theme of a battle between surface of Mars.

sion will improve the realism. Its principal market to date

F/A-18 fighter aircraft.

will amount to £7.5m.

and machinery of FE Barber's cannery

operations in Lowestoft, Suffolk, for £200,000, and its contracts and stock for

It has also sold - to Pura Food Prod-ucts, a subsidiary of Acatos & Hutche-

Chief executives, whose aver-

age total pay package now stands at £351,280, have of contracts, despite a high

huge severance payments. Almost two thirds of those

tion for £950,000. Pura has paid £2.08m

loss of 350 jobs. Its oils and fats opera-

tion in Irlam, Greater Manchester, is also to be closed and relocated to Lon-

don with the loss of a further 120 jobs.

This will take the CWS jobs lost since

the acquisition to 600, or about 40 per

The survey revealed that the

Directors' TRP survey 1994 Bacon & Woodrow. St Olaf House, London Bridge City. companies stated they had no London SE1. £600.

In the year to January 8, the cannery made losses before interest and tax of

£691,000 on sales of £39.5m. Net assets

at that date were £15.8m. The operation

incurred losses of £235,000 before inter-

The oils and fats operations, which had assets of £2.1m at the year end,

has continued to be lossmaking.

## Hobson continues CWS rationalisation with further sales

It has sold, to HL Foods, the plant for the contracts and stock.

As already announced, Hobson has operations in Lowestoft, Suffolk, for closed the Lowestoft cannery with the

Hobson, the homecare and food products group, yesterday announced a further series of rationalisations of the food manufacturing business of the Co-

The group will receive some £11.1m son, the edible oils group - the plant cash, but costs, including write-oils, and machinery of its oils and fats opera-

KIATNAKIN FINANCE AND SECURITIES PUBLIC COMPANY LIMITED

£9m cash.

NOTICE IS HEREBY GIVEN to the holders of the outstanding BOTTLE IS TIETED TO LIVEN TO THE notices of the constanting Bonds that the Company has announced a rights share issue of \$4,564,669 shares with a record date of October 10, 1994. In accordance with the provisions of the indenture constituting the Bonds, the Conversion price has been adjusted from Thai Baht 485 per share to Thai Baht 128.47 per share effective October 10,

(the "Company") sted as a limited company in Bangkok, Thellend) H.S. 550 JON 500 4 per cont Convertible Bonds due 2003

Frankfurt am Main,

October 1994

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Kaufhot Finance B.V.

Can\$ 100,000,000 Collared Floating Rate Notes 1993/2003

The Rate of interest applicable to the Interest Period from October 18, 1994 to January 17, 1995, inclusive, was determined to be 6.5 per cent per annum. Therefore, on January 18, 1995, interest per Note of Can\$ 1,000 principal amount in the amount of Can\$ 16.38 and interest per Note of Can\$ 10,000 principal amount in the amount of Cans 163.84 is due.

(Issued under the DM 1 billion Multi-Currency Euro Medium Term Note Programme of Kauthof Holding AG) Tranche No: L1

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**FT Surveys** 

## SEL advances to £30.2m

By Bernard Gray

VSEL, the Barrow-based submarine maker and target of an agreed bid from British Aerospace. yesterday announced a 5 per cent rise in pre-tax profits from £28.8m to £30.2m for the six months to September 30.

The results were hurried out to coincide with the publication of BAe's offer document. BAe's bid offers 2.747 of its shares for each VSEL share with a cash alternative of

At BAe's closing price, up 28p to 498p, the bid values each VSEL share at £13.68 and the

company at £518m. increased from 10.5p to 12p, BAe shares had risen on market speculation that GEC (49.3p) per share.

might bid for it. VSEL shares did not follow, however, and closed down 2p at £13.23. GEC has declared that it is a possible bidder for VSEL

The offer document includes details of VSEL's results. In its last full-year statement the company predicted that its 1994-95 profits would be similar to last year and trading profits for the first half were £24.4m compared with £24.7m. Turnover declined from £233.2m to £194.7m.

Interest income on the company's cash pile has increased from £4.1m to £5.8m, lifting the pre-tax result.

The interim dividend is

The document says that trading continues to be in line with the board's previous forecast. The document also confirms

that Lord Chalfont, VSEL's chairman, will become an adviser to BAe until next July if the recommended offer goes

Mr Noel Davies, the chief executive, will also be a consultant to BAe during the handover period. Information made available

to BAe in the course of discussions is expected to be made available to GEC in the next day or so. Any GEC bid would be for cash, and it would take the company some days to assess information provided by Morgan Grenfell, VSEL's bank-

BAe is to hold an extraordinary meeting on November 2 to approve the takeover bid. Proxy votes must be registered by October 31.

BAe forecasts that its total dividend for 1994 will be not less than 10p, an increase of 20 per cent on the previous year. The offer document also dis-

closes that VSEL is in a legal dispute with British Shipbuilders, from which it was privatised in 1986. VSEL would be obliged to pay British Shipbuilders (a government-owned company) an additional amount if its profits rose above a certain level after privatisa-

The dispute could cost VSEL up to £40m, but the company is

## Acquisitive MY leaps to £4.5m

MY Holdings, the packaging group, pledged to continue its acquisitions strategy after announcing an 80 per cent rise in pre-tax profits for the year to August 27.

The company, which spent £23.3m acquiring four packaging businesses this year. increased pre-tax profits from £2.51m to £4.51m on turnover up 46 per cent to £51.2m (£35, Lm).

year. In February, the group raised about £23m through a placing which more than dou-bled its market capitalisation.

"This year's acquisitions are not the end of the story. We are only at the beginning," he

"We like healthcare and would like further expansion in that sector. We are also looking to continue our expansion of specialist corrugated activities, and would like to fill tive, said the company was in gaps in our geographical

considering another share spread. We do not really have issue to fund acquisitions this anything in the Midlands and anything in the Midlands and the west country, and the Scottish market would be very interesting to us."
However, the directors

warned that operating margins, which increased from 7.6 to 9.4 per cent last year, would come under pressure from price rises for its pulp and

paper raw materials. Turnover on continuing businesses rose by 13 per cent to £39.8m, despite a poor performance by Trondex, moulded

Media incurred an operating

loss because of start-up costs.

ARM made pre-tax profits of

£1.2m in the first half, of which

was proving a success and was

confident Acorn would return

to profit in the second haif.

Mr Wauchope said Risc PC

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Acom's share was £499,000.

Stripping out acquisitions, operating profit grew 12 per cent to £3m

Interest costs increased from £164,000 to £301,000 as the group raised its borrowing for cash acquisitions and capital investment. Gearing rose from 4.2 to 16.3 per cent.

Earnings per share grew 16 per cent to 4.52p (3.91p), as the number of shares doubled. The board recommended a final dividend of 1.1p to make a total of 1.6p (1.25p) for the

## Acorn slides £1.98m into red as schools tighten spending

By Alan Cane

Acorn Computer Group, the dominant supplier of school computers in the UK, lapsed into the red at the halfway stage as changes in education spending patterns and the cost of new initiatives took their

Turnover was flat at £23.7m (£23.6m). The deficit amounted to £1.98m against a pre-tax profit of £305,000 and losses per share came out at 3.2p (0.5p

Mr Sam Wauchope, manag-

was affected by changes in the pattern of education spending as budgetary control and financial management were

offering. At the period end more than 2,000 Risc PC

ARM family of low power con-sumption microprocessors in which Acorn has a 47 per cent stake, and Online Media, a new division established to exploit the emerging market for inter-active multimedia. Online

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devolved to schools. Customers had also delayed purchases in anticipation of the launch in April of the Risc PC, Acorn's new top-of-the-line there was an order backlog of

The USM-traded group now comprises three companies: Acorn Computers, Advanced

any share.

## Forward Tech recovery continues

Forward Technology Industries continued the recovery seen in the second half of last year and reported pre-tax profits of £340,000 for the half year to June 30, compared with losses of £1.23m.

The company produces spe-cialist machinery for plastic assembly, precision cleaning and lamp making, largely overseas, while the main UK activity is the reproduction of audio and video cassettes.

Turnover advanced to £21.7m (£20.1m). Earnings per share were 0.8p (3.6p losses) and the interim dividend is 0.5p (nii).

## WMI rises 11% in third quarter

By Peggy Hollinger

Weak prices reined in profits growth at Waste Mangement International, the UK quoted arm of WMX Technologies of the US, which yesterday announced an 11 per cent improvement in third quarter

pre-tax profits. Mr Nigel Wilson, of WMI, said the group was disap-pointed following a mixed third quarter performance, in spite of strong sales growth. Pre-tax profits rose from

£38.9m to £43.1m on sales 23 per cent ahead to £288.8m. Profits for the nine months rose 14 per cent to £125.4m on sales up 20 per cent to £831.7m.

Revenue growth in the quarter was due in roughly equal measure to acquisitions and underlying volume gains. About 2 percentage points of the sales improvement was down to price increases.

Mr Wilson said operating margins had slipped from 16.8 per cent to 16.2 per cent in the quarter.

This was partly due to problems in Italy, which is WMI's single largest market with 26 per cent of its total sales. Municipal customers in Italy were renegotiating contracts at prices of between 10 and 20 per cent below existing arrangements. These reduc-tions would have to be recovered through productivity

The company also suffered from a poor performance in the highly competitive French market. Mr Wilson said volume at some group landfills was running at about two thirds of peak levels.

WMI said it was pleased with volumes in the UK, and it was beginning to see some signs of the "significant price increases" being talked about in UK landfill.

Mr Wilson said WMI was comfortable about prospects in the UK market, even if Browning-Ferris Industries, the large US waste services group, wins its hostile £364m bid for Attwoods. Such a major force could bring "further support for stronger regulation." which would improve the market, the company said.

In the Asia/Pacific region, WMI enjoyed good growth in Hong Kong, a higher margin business which would also efit in 1995 from the fill opened last week. WMI has spent £40m on 35

acquisitions so far this year. Earnings rose by 6 per cent to 7.2p for the quarter. Analysts are forecasting annual profits of about £175m

this year, with significant improvements from European recovery and east Asia feeding through in 1995.

## Richards Group jumps to £0.12m

Richards Group, engineering concern, doubled pre-tax profits from 262,000 to £120,000 in the six months to June 30.

Turnover moved ahead from £6.38m to £8.23m.

Mr John Crabtree, chairman, said Steel Supports was making inroads into the European and overseas power generation markets, while Richards Engineering had secured its first substantial order in the expanding Chinese market.

The interim dividend is held at 1p, payable from earnings of 1.07p (0.55p) per share.

## Audax Properties

Audax Properties, a wholly owned subsidiary of Value and Income Trust, doubled pre-tax profits from £54,000 to £110,000 for the half year to September 30.

There was a realised loss of £24,000 (£20,000) on disposal of properties. Earnings per share for the period amounted to 132p (50p).

**DIVIDENDS ANNOUNCED** 

Forward Tech

Highland Dist

2 § 3 3.8 0.5

5.5

Nov 30

Jan 12

## Strong overseas growth helps Farnell to £28.7m

Farnell Electronics, the components distributor and manufacturer, reported sharply higher interim profits and turnover, reflecting strong overseas growth and the £41m acquisition of the Multicomponents distribution business. Pre-tax profits for the six

months to July 31 increased by 36 per cent to £28.7m (£21.1m). Turnover grew by 77 per cent to £261m (£147m); underlying growth was 13.5 per cent. "Overseas growth was partic-

ularly strong," said Mr Richard Hanwell, chairman. Both the high volume distribution and the low-volume catalogue businesses improved profitability overseas, he said, "demonstrat-ing the success of offering customers a pan-European ser-

Multicomponents The operations, renamed Farnell Electronic Services, added £93.7m to turnover in the first half and £2.2m to operating profits, which increased by 40 per cent to £29.8m (£21.3m). Overall, the overseas FES

operations doubled profits on sales up 15 per cent. In the UK, sales volumes at FES increased by 11 per cent but margins mained under pressure. Farnell Electronic Compo-

increase in profits on sales 12.3 The UK operations achieved steady sales growth while overseas sales were up by more

nents reported a 22 per cent

than 40 per cent. Particularly strong sales of power supplies for the telecom-munications sector helped the manufacturing

FINANCIAL TIMES TUESDAY OCTOBER 18 1994

Howard Poulson: growth will focus on higher margin business

26 per cent, but results from Farnell instruments were "disappointing".
At the end of July the group

had net borrowings of £8.57m, equivalent to gearing of 7 per Interest costs totalled £1.07m (£138,000), reflecting borrowings undertaken to finance the

purchase of Multicomponents. Earnings per share grew by 36 per cent to 14.3p (10.5p). The interim dividend is increased by 19 per cent to 3.8p (3.2p). Mr Harry Elstone is to step down as finance director, although he will remain on the

board. He is succeeded by Mr Andrew Fisher. Mr Bob Horton, chairman of Railtrack, and Mr Barry Bram-ley, a director of BAT Industries, are both joining the

• COMMENT

Once again Farnell has produced a strong underlying performance, justifying its decision to expand its overseas operations. Following a recent strategic review undertaken by Mr Howard Poulson, the chief executive, the company intends to focus future growth on the higher margin catalogue distribution business and is particularly interested in expanding in the US or east Asia - possibly through acquisition. Pre-tax profits should climb to about £62m this year, producing earnings of about 30.5p. At 531p, the shares are trading on a forward multiple of 17.4 - a small discount to competitors such as Electrocomponents - and well below

## BS back to black with £0.4m and returns to dividend list

and West Correspondent

BS Group, the property and leisure group formerly called Bristol Scotts, has returned to profit for the first time since 1988 and will resume dividend The shares rose 12p to 200p.

Pre-tax profits were £429,000 in the six months to June 30, compared with a deficit of £116.000 last time. The interim dividend, the

first since 1989, is 3b from earnings of 6.87p (losses of 1.86p) per share.

Turnover expanded by a

quarter to £5.41m (£4.31m) and margins increased slightly. The improvement, however, largely reflects the disposal of its lossmaking restaurants. The board is engaged in a

prolonged power struggle which saw Sir Ian Rankin replace Mr Anthony Kerman as chairman in August. The Kerman family controls a quarter of the company and is understood to have been recently approached by Scotts Holdings, a Singapore property ing to widen the BS share own-

man stake to the Singapore Mr Kerman did not comment

to any sale of the entire Ker-

their 12-month peak of 653p.

yesterday on the family's 🙉 intentions. Sir Ian said the group's liquidity had been greatly improved with the elimination

of short-term borrowings and the creation of cash reserves. "The company, having weathered the financial storm created by its London restaurant businesses, is now ideally positioned to take adva numerous opportunities which are presenting themselves both in leisure and property."

## tional investment, is opposed **NEWS DIGEST**

ership by attracting institu-

started encouragingly with

sales showing a significant

Earnings per share climbed to 2.4p (1.7p) and the interim dividend is raised to 2p (1.5p).

Shaftesbury is expanding its

property interests in London's

The company is paying

Berkeley Hambro £9.75m cash

for a block of 11 freehold shops

at the corner of Carnaby Street

and Beak Street in Soho. Cov-

ering a total of 47,000 sq ft the block currently produces an annual income of £785,000.

Pioneer buy-out

and restaurants, with offices

West End to Carnaby Street.

increase over last year.

Shaftesbury buys

## Riva loss deepens to £629,000

Increased pre-tax losses of £629,000, against £425,000, were announced by Riva Group, the USM-quoted supplier of electronic point of sale systems, for

the half year to June 30.

The result was in line with expectations, said Mr Peter Giles, chairman. Revenue was stable but, in common with the industry, there were declining hardware margins.

He said the outcome for the year was sensitive to volume in the last quarter but was not expected to show a significant improvement on the first half. Turnover edged ahead to £27m (£26.4m). Losses per share deepened to 2.5p (1.9p).

## **BMSS** ahead

BMSS, the USM-quoted builders' merchant, saw pre-tax profits rise by 39 per cent from £207,000 to £287,000 in the six months to July 31.

Although margins remained under pressure, the result reflected a modest improve-ment in activity levels in the Turnover improved 25 per cent to £9.41m; the company said the second half had

Total last year

3 nii 7.4 0.25

6,6 1,25 2,25

Montagu Private Equity has arranged a £10.2m management buy-out of Pioneer Exhausts, the Stoke-on-Trent manufacturer of replacement systems for the principal car

makers. Pioneer has grown steadily since it was founded in 1980. It makes about 200 different parts for 130 popular car models. Its sales are mainly to independent garages and local/regional distributors and motor factors

principally for Ford, Vauxhall and Rover models. Funding for the deal will come from MPE and Royal Bank Development Capital.

## Saville Gordon

J Saville Gordon Group, the property investment concern, said it was a member of North-ern Natural Resources, which in turn is a member of Mining (Scotland), the preferred bidder for Scottish Coal.

It has agreed to subscribe up to 13m by way of equity capital if the bid is successful. That would represent about 10 per cent of Mining Scotland's equity. JSG's investment in Northern Natural Resources was £11,700.

## Kingfisher

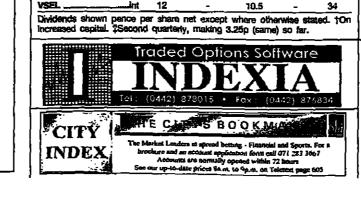
Kingfisher, the retail group which includes the B&Q DIY chain, announced that the Paris Bourse quotation for Etablissements Darty, the electrical retailer it acquired last year, has been suspended as its Financiere Darty subsidiary is considering exercising its power to acquire the outstanding 2 per cent of shares which

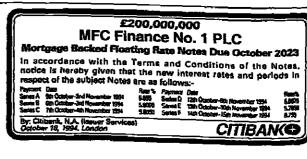
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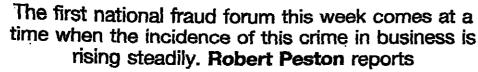
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## FINANCIAL TIMES SURVEY

## FRAUD: PREVENTION AND DETECTION

Tuesday October 18 1994



## Focus on financial crimes sharpens

The first national frand forum, national scale of fraud are bringing together representabringing together representa-tives of the police, regulatory agencies, and private sector investigators, is being held this

STATES LAND VIEW

The three-day event, organised by the Association of Chief Police Officers (Acpo), will bring together all groups interested in the fight against this growing crime for the first time, to discuss how to improve prevention and investigation procedures.

It comes, moreover, at a time when companies and the government are increasingly aware of the penalties of failing to implement effective procedures to prevent fraud.

The government has this year been considering introducing plastic identity cards to replace benefit books, in an ttempt to save some or all of the hundreds of millions of pounds lost every year in social security fraud.

Meanwhile, a growing number of companies has implemented much tighter internal auditing procedures, in a bid to detect possible frauds at a much earlier stage.

Fraud comes in so many different forms - from the company director who uses company funds to take his partner on holiday to the wholesale theft of hundreds of millions their or numbers or millions by the corrupt Bank of Credit and Commerce International – that it is notoriously difficult

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It is not explicitly described in criminal law, but in practice it is treated by the authorities as a sophisticated form of theft, usually involving deceit to obtain funds. Prosecution is normally carried out under the

Detailed statistics on the

Security Management, the fraud investigation business controlled by the merchant bank Hambros, estimates that companies on average lose between 2 per cent and 5 per cent of their turnover as a result of fraud.

An attempt at obtaining more precise statistics has been made by the investigation arm of accountants, Ernst & Young. Its survey in 1992 of 100 companies, covering most industrial and commercial sectors, found that 24 per cent had reported a fraud costing more than £250,000 at least once in the previous two years and that 30 per cent had reported a fraud exceeding £50,000 in the same period. More than a third had suffered a fraud but not notified the authorities.

Banks in particular have been particularly reluctant to report frauds, fearing publicity would damage the confidence

Ernst & Young has recently completed another survey of these 100 companies: 98 per cent believed that there had either been no diminution, or a rise in the incidence of fraud over the past two years. In its assessment of reported

frauds KPMG Peat Marwick's fraud investigation unit identified 27 significant cases involving the attempted theft of £254m in the first six months of 1994, a larger number than

in the whole of 1991. These increases are perhaps surprising, since the level of fraud which comes to light usually rises as the economy goes into recession, falling back again as the economy recovers, as at present.

There are probably two rea-

trend. First, a company hit by may resort to fraud to prop itself up - the motive widely ascribed to the late Robert Maxwell for his decision to plunder his companies' pencompanies facing tough times may examine their costs more

detect hitherto hidden frauds. The specific types of fraud showing the greatest increases, according to Detective Superintendent John Probert and other experts, are insurance, mortgage and banking frauds, such as advance fee fraud.

All three are simple in con-cept. Mortgage fraud, for example, usually involves overstatement of the purchase price of a property, so that a bank or building society lends more than the actual price - with the difference being pocketed. Earlier this year, charges alleg-ing a £100m fraud were brought against one group of development companies after a

three-year investigation. The apparent abundance of work has led to a sharp increase in the number of private sector firms involved in giving advice on prevention, as well as the detection and recovery of lost funds. As a result, the market has become far more competitive.

At the same time, the services offered by some less scrupulous firms - and the methods they use - threatens to sully the image of all. Some agencies advertise openly that they can obtain confidential details of bank accounts, credit card records or medical infor-mation, for modest fees.

However, for police fraud squads the greatest challenge



is how to do the job effectively while having to compete against other policing priorities for increasingly scarce

There are 850 officers involved in fighting fraud throughout the UK, with the higgest single unit, the London-based Metropolitan Fraud Squad, employing 150 police-men and a further 40 people in support services.

The Metropolitan Police Fraud Squad, working in partnership with other agencies, and with an annual budget of £10m last year, recovered more than £20m in cash and securities obtained by fraudsters,

compared with £10.6m in the previous year.

The Met claims to have pre vented frauds worth £6.57bn in the twelve months to March 31, 1994. However, this figure is slightly misleading because it includes one unusually big case: a £6.5bn attempted fraud on the Agricultural Bank of

Persistent and widespread criticism of the Serious Fraud Office, which was set up in 1988 to lead the battle against the most complex and substantial forms of financial crime has to some extent undermined morale in the official fraud agencies. The SFO was given resources including lawyers and accountants as well as

Because the government believed that the fight against fraud presented very different challenges from those presented by other kinds of crime, the SFO was made independent of the Crown Prosecution Service, handling both investigations and prosecutions. Detection has remained, however, the responsibility of the police and City of London regulatory authorities, such as the Stock Exchange and the Bank of England. The SFO was also

1988 to remove a suspect's right to silence and compel vitnesses to give evidence.

However, its handling of some high-profile cases - notably the Blue Arrow trial and the prosecution of the financial services salesman, Roger Levitt - has been clumsy, and its future is under review by the government. Officials believe it could be merged with its less glamorous sister, the Fraud Investigation Group, under the umbrella of the Crown Prosecution Service. An announcement is likely before the end of

The multi-disciplinary

large financial and staff 2 of the Criminal Justice Act approach which the SFO applies - combining the skills of police, accountants and lawyers - is likely to be increasingly adopted by agencies and firms involved in the fight against fraud, whether they are private sector or public sec-

> Building those bridges between different institutions with their different skills will be the focus of the forum this

According to some experts such co-operation between the police and private sector firms could one day lead to privatisa tion of some of the fraud

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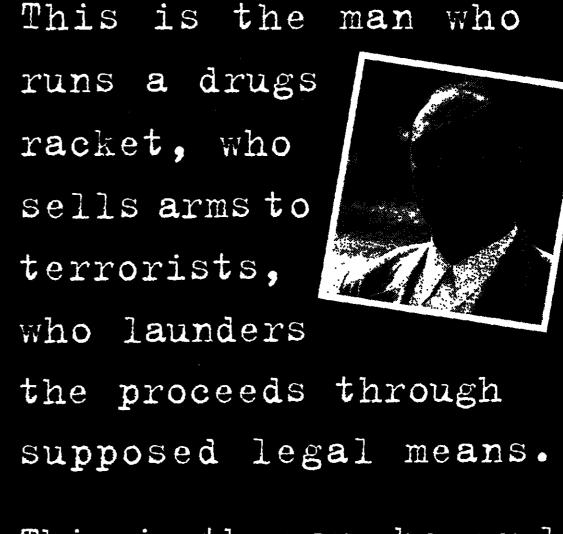
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Money Laundering: Ian Rodger discusses reasons why the frequency of this crime has increased

Scarcely a week goes by without a fresh call to action being issued against this most discreet of crimes.

And scarcely a week goes by without a new case of money laundering coming to light or being prosecuted. It even figured in the recent macabre case of more than 50 religious cult-related deaths in Switzerland and Canada

The two trends are of course related. The increased focus on the problem has made banks and law enforcers more sensitive to it, thus leading to greater surveillance and more

According to recent estimates by US and UK officials. the amount of money laundered every year amounts to roughly \$500hn. This money is the fuel that keeps organised crime going and growing, mainly in support of the inter-national drug trade but also for various other sophisticated crimes, from insider trading to the traffic in nuclear materials. The attack on money laun-

dering only became serious in the 1980s, mainly because of the expanding drug business. And there are still several loopholes or weak points within the international financial sys-

For example, in the US, which probably still tops the world money laundering league table, a 1970 Secrecy Act requires financial institutions to report suspicious transactions. But wire transfers, the most common form of transaction, are excluded from

tem, some of them bizarre.

this requirement In theory, money laundering should be relatively easy to prevent. If banks and other financial institutions deal only with customers they know and if they monitor carefully certain types of potentially suspicious transactions, they should be able to keep out big-time financial criminals.

That is the rationale behind a plethora of guidelines and recommendations that have . been issued by various international organisations in recent

Starting in 1988, the Basie Committee on Banking Regulations and Supervisory Practices issued a recommendation calling on banks to make "rea-

It has been estimated that the amount of money laundered annually is \$500bn

sonable efforts" to determine the true identity of customers. The following year, the group of seven leading industrial countries set up a Financial Action Task Force to study ways of curbing money laundering. FATF has since estab-lished guidelines for national financial systems and carried out audits of several leading

A European Council 1991 directive on the prevention of the use of the financial system for the purpose of money laundering came into effect throughout the European Union at the beginning of last year. It obliges all financial institutions to know the true identity of their clients and to report any suspicious transactions to the police.

Money launderers tend to use large financial centres or tax havens to try and disguise routes to the sources of their earnings.

It is in places such as Swit-

zerland, the City of London or

New York that they are likely

to find a few bent bankers willing to help them. In an attempt to preserve their reputations, these centres have been among the most aggressive in introducing laws and guidelines to prevent

The Swiss Federal Banking

Commission, for example, issued detailed guidelines in 1992 outlining no fewer than 30 specific transactions - withdrawals, purchase of drafts, transfers or excessive cash movements - that should be regarded as suspicious.

This year, a new law has bro-

ken the conflict between Switzerland's bank secrecy provisions and investigations. Bankers may now report substantial suspi cions of criminal activities by their clients to state prosecu tors. This is, in fact, tantamount to an obligation. Failure to do so would be regarded by the banking commission as

Switzerland has also made insider trading, money laun-dering and membership in a criminal organisation criminal offences, thus bringing them within the orbit of crimes on which it is willing to co-oper-

io!

ich against the Swiss subsid-With this sort of tightening occurring in most Western countries, the focus has in the past couple of years moved eastward and southward.

Money launderers were quick to realise that the former Warsaw pact and Soviet Union

The FBI and Scotland Yard is tightening the noose on the tax havens of the Caribbean

countries, with no experience of financial markets and with a desperate need for hard currency, were easy victims. There is also believed to have been a large flow of ill-gotten funds from former

Communist officials to western banks. In June. Treuhandanstalt.

the industrial reconstruction agency for eastern Germany,

Greater alertness uncovers more cases launched a civil action in Zur-

> iary of Bank Austria. It claimed that agents of the former East Garman Communist Party stashed Sch1.76bn (\$162m) there in the spring of 1991 as the German Democratic Republic collapsed. Bank Austria, Austria's largest bank,

> has denied the charges. In September, EU finance ministers met with their central and eastern European counterparts in Berlin and, among other things, urged the eastern countries to tighten their laws and regulations against money laundering.

Meanwhile, the noose appears to be tightening on the tax havens of the Caribbean. In January, the US Federal Bureau of Investigation and Britain's Scotland Yard set up joint task force to fight white-collar crime in the UK dependent territories.

The British Government has

also recently reprimanded Gibraltar for not implementing the EU directive on money laun-

Such is the momentum that several speakers at an international symposium on economic crime at Cambridge University in England in September recommended that economic sanctions be imposed on countries that do not combat money laundering seriously.

The idea was backed by a number of delegates attending the symposium. John Moscow, New York's assistant district attorney, said: "It is an idea whose time has come."

All of this activity does not mean that money laundering is going to disappear in the near future. Even if new criminals are rebuffed by banks, it is going to take them some time to clear their books of long-standing dubious custom-

This problem was high lighted by a case earlier this year in which a \$150m account of a suspected Colombian drug dealer came to light at the Union Bank of Switzerland, It had remained undetected for several years partly because there had been very few transactions into or out of it.

The former Soviet Union: Jimmy Burns on fears of money laundering

countries.

## Mafia gangs target the west

among regulators and law enforcement agencies that so-called Russian Mafia networks may be penetrating the object of laundering their

illicit cash. The break-up of the Soviet Union has brought in its wake a huge flight of capital estimated by senior bankers to be as much as \$1bn a month. It has also led to a proliferation of gangs involved in financial corruption and illegal trade whose operations threaten to extend well beyond the former Soviet Union states.

July this year by Albert Pacey, the director-general of the UK's National Criminal Intelligence Service, during a visit to Moscow and in evidence to a

House of Commons committee. British police believe that although Russian gangsters are most active in eastern Europe and Germany, there are indications that they may move their operations to other

parts of western Europe. The National Criminal Intelligence Service (NCIS) refuses to discuss specific cases. However, last year under new regulations requiring banks and

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other institutions to report long period, are being used for "suspicious financial transactions", there were 13,000 cases reported to NCIS of which 200 involved Russians.

"That is not a large number. but what distinguished the amounts involved - from £500,000 to several million pounds," says Mr Pacev. An NCIS briefing paper ear

lier this year states that "the nations of eastern and central Europe and the former Soviet Union have enormous potential to impact significantly upon Europe and the United Kingdom ... the situation in the Russian Federation continues to give particular cause for

Something is rotten in the

rapidly evolving mega-state of Europe. The stale odour of sys-

tematic fraud is persistently

the European Union's financial

arrangements, but so far there

has been little concrete reme-

Expert opinion is that up to

10 per cent of the EU's budget

of Ecu70bn (\$87bn) a year is diverted to the wrong recipi-

ents either through fraud or

improper exploitation of finan-

cial loopholes. The exact figure

is impossible to calculate because most fraud is unde-

tected. However, Lord Hunt of

Tamworth, a former top-rank-ing UK civil servant who

Up to 10 per cent of the

EU's annual budget of

Ecu70bn is diverted to

the wrong recipients

served as cabinet secretary and

who is chairman of the House of Lords' European communi-

ties committee, does not dis-

pute the 10 per cent figure. In July, Lord Hunt's commit-

tee issued a damning report on

EU fraud which said: "We have

increasingly come to the con-

clusion that most fraud in the

EU happens because the

administrative procedures and

financial controls are not

lucidly defined by community

legislation, and because the

procedures and controls [in

member states] are defective.

dial action.

According to NCIS, the significance of the UK in terms of criminal groups emanating from the Soviet Union and eastern Europe is that "UK

the transfer of large sums of

illicit funds' NCIS identified four areas for potentially illicit transactions emanating from the for-

There are indications Russian gangsters may move their operations to western Europe

mer Soviet Union ■ Laundering of funds from 'general criminal activity' including extortion; ■ Laundering of funds involving trade in high-technology

Laundering of funds from the sale of weapons, commodities, and precious metals. including radio-active material: and ■ The transfer to the west of

There is no central responsibil-

ity in the European Commis-

sion for ensuring that new reg-

ulations and schemes are

foolproof and this is far from

being the prime consideration

in the policy-making director-ates (of the commission)."

spending follows directly from

the extreme complexity of the

rules for channelling money

from Brussels to member

states for projects such as

infrastructure programmes or

supporting food prices. This

makes it relatively easy for

fraudsters - who can range from highly organised criminal

gangs to opportunist individu-als taking occasional advan-tage of an EU loophole - to

This can happen, for exam-ple, through a farmer applying

for an extra subsidy on, say, a

cotton shipment simply by fill-

ing in a form saying he has grown 10 per cent more than

the frauds discovered over the

cases of falsified documenta-

tion, sometimes created with

the connivance of government

officials in the state where the

act is taking place. Indeed, a factor which may help the

fraudster is that often the

country where he or she is

operating may see no particu-

lar advantage in combating the

fraud. The government involved may be willing to

turn a Nelsonian eye to evi-

dence of what is taking place

past few years have been such

really has. Behind many of

make a financial gain.

Most fraud involving EU

Peter Marsh on the incidence of false accounting in the European Union

Exploiting the EU loopholes

The extent to which regulatory authorities in the west managing to curb these illicit activities remain unknown. Theoretically, any unusual cash transfers to the UK emanating from the former Soviet Union should be brought to the attention of the

Albert Pacey: situation in Russia is

Bank of England, while Rusmen wishing to set up a trading operation in the UK are subject to immigration controls.

In practice, according to some senior bankers, some Russians may be taking advantage of areas such as the property business, which is not subject to significant institutional controls. They may also be using offshore centres to confuse investigators track-

Some Russians may be taking advantage of areas such as the property business

ing money flows. Ray King, finance director of Chartwell International (UK). a financial consultancy firm which specialises in the for mer Soviet Union, says part of the problem for regulators in the west is identifying what amounts of Russian flight capital actually emanate from criminal activity.

"If you are a western bank it is very difficult to know what

tions are regarding capital export from the former Soviet Union," says Mr King. He believes that it is diffi-

cult to prove that any of the Russians who are investing in property in London or setting up trading companies are engaging in illegal activity although there are clearly a few cowboys who are bending the rules".

There is certainly some evidence suggesting that the problem may be even graver. According to other banking sources, some trading companies in the UK have in recent months been approached by individuals in the former Soviet Union with known connections with the criminal fraternity who asked them to arrange for transfers running into several millions of pounds. Meanwhile, some estate agents are thought to

have refused to proceed with contracts with Russians after amount of money available and the dubious nature of references given.

Few money transfers, however, involve a direct transaction between the former Soviet Union and the UK. One area of concern to regulators is the financial offshore centre of Cyprus where numerous brass-plate" Russian companies have been set up together with banks to facilitate hard currency deposits by business men and officials. There are suspicions that some of the Cyprus-based companies with on-transfers to other financial centres such as Switzerland - are being used to launder illegal profits from activities such as arms smuggling, prostitution, and bogus trade deals.



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damning report on EU fraud

on the grounds that the cash from Brussels is boosting the local economy whether or not it is being spent according to the letter of EU rules.

At the level of the European Commission itself, officials

operate within a culture where it is the spending of money that is all important, not the monitoring of the extent to which the spending achieves agreed objectives. Operating along these lines, Brussels officials frequently become embarrassed when the subject of fraud crops up. In many ways they are as reluctant as are some member governments to discuss the incidence of fraud and how to tackle it. This is hecause raising the subject may irritate the member government where the alleged fraud is taking place and may be seen to be against the co-operative spirit driving the

Italy is one of the focal points of fraud investigations. Italian prosecutors recently alleged that Filippo Galli, the head of the state organisation overseeing EU agriculture sub-sidies, took bribes from a big grain trader to ignore evidence of massive corruption. In one instance documented by Uclaf, the European Commission's anti-fraud unit, traders claimed a subsidy of Ecu76m (\$94m) for a large shipment of wheat which supposedly was kept in intervention storage in a government warehouse but which inquirles indicated did not

In another recent case, sugar traders in Belgium are thought to have gained about Ecu6m in extra subsidies by claiming to have transferred a large quantity of this commodity out of the EU to states in the former Soviet Union, so qualifying for an export refund, whereas the sugar was really sold at high prices in Spain. What is being done about EU fraud? Several moves are afoot,

though the effect of these actions may turn out to be fairly slight. Uclaf, which has a new director, Per Brix Knudsen, an energetic and outspoken Danish customs officer, is doubling its staff to 100 by the end of the year and promises to be more diligent in detecting fraud cases and bringing miscreants to justice through co-operation with national authorities.

Second, the EU's agricultural aid programme, which accounts for half the total EU spending and is thought to account for the lion's share of fraud, is being radically changed to cut down on subsi dles overall and to change the direction of subsidies towards farmers rather than traders and processing companies where opportunities for false accounting are greatest.

Third, the Luxembourg-based Court of Auditors, the

The Court of Auditors is becoming more eager to highlight cases of fraud or improper action

EU's financial watchdog, is becoming more eager to highlight cases of fraud or improper action. However, most of its deliberations and actions are kent secret. The court also lacks the self-confidence to take the initiative on big cases of fraud or financial mismanagement, and as a result its power to influence the broad picture on fraud is <u>limi</u>ted.

It seems that the efforts to improve the EU's far from impressive record on combating fraud can only really come from the centre, via the com-missioners installed in Brussels by the member governments. Much will therefore depend on how the new crop of commissioners, easing into their positions over the next few months, approach a subject which is certain to command an increasing amount of attention from outside pressure groups and from taxuayers concerned that their cash is



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## FRAUD: PREVENTION AND DETECTION III

Alan Cane checks the incidence of computer fraud

Industrial espionage is a growing problem in business, says Peter Marsh

## Is there a spy in your boardroom?

Is there a turner in the boardroom? This marketing or advertising strategies may makes the information available via an tion may be highly tricky. There is a story question, being increasingly saked by big and small companies around the world, has nothing to do with art collections but is concerned with the growing problem of industrial espionage.

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industrial espionage can be defined as virtually any technique aimed at taking a company's secrets. Although electronic surveillance or computer hacking more often grab the headlines, the most common form of industrial espionage is for a rival company to employ an insider - or a turner in the trade jargon - to give them inside information.

Industrial espionage is increasingly worrying executives in highly competitive areas of industry. High-tech businesses such as acrospace, engineering, computers and telecommunications are frequent vic-tims but companies in other fields, where be as important as new product informa-

tion, are also suffering.

Behind the phenomenon is the large financial advantage that a rival company may gain from a timely insight into a mpetitor's product ideas or marketing

"Why should a company spend £100m on research and development when it can gain the relevant knowledge from a rival for a much smaller outlay?" asks Peter Heims, a British security consultant. According to Paul Carratu, managing director of Carratu International, a Lon-

don-based fraud investigator, the most common form of industrial espionage con-cerns disaffected employees offering this type of information to a rival for a fee. More often than not you see the oppor-

tunist approach where the employee

intermediary such as a security company. It is less common to see the more direct approach where a rival goes out actively to seek the information through bugging or similar means," says Mr Carratu.

It follows, therefore, that the most sensible ways to try to stop industrial espio-nage are through common sense tactics that are really nothing more than an extension of good management. Among these are restricting access to sensitive product or marketing information; keeping a check on documents that could be of value to a rival; and trying to sort out personal problems involving employees before the person affected becomes so disgruntled that he or-she even thinks of starting to hawk secrets to competitors. Of course, deciding on where to draw

the line on potentially sensitive informa-

much recounted among industrial espionage investigators of a company that, in the cause of improving communications with its employees, revealed detailed mar-keting information about a new product launch in its internal company newspaper several weeks before the product appeared. Not surprisingly, the details ked out to a competitor and the company launched an industrial espionage probe which ultimately led to the dis issal of the newspaper's unfortunate edi-

The point underlines the fact that industrial espionage covers a wide spectrum. One estimate of the extent of industrial espionage is that about half of all big companies may have had secret information leaked over the past decade by some form of espionage. The phenomenon is rel-



displays equipment available in his shop

stively widespread in the US, France and Italy, according to Mr Carratu. "There is less industrial espionage in Britain: in the UK it's thought not to be ethical to indulge in this kind of thing," he says.
Understandably enough, most compa nies hit byindustrial espionage do not like

to talk about it. But in recent years the

businesses affected have included BP and

Electronic surveillance is a method fre quently used by competitors to gain access to secrets. A rival boardroom can be bugged - perhaps using the services of a person contracted for this nurrose who uses the "cover" of working for a cleaning company - with an instrument the size of a matchbox and costs no more than £100. Such devices, with tiny microphones and which transmit over perhaps a quarter of a mile, can be very difficult to spot if cleverly hidden.

Shell, which suffered as a result of outsiders gaining access to secret tender information for engineering contracts through the information leaking out via an unscru-

pulous marketing agent. Volkswagen and General Motors have recently been locked

in a long-running battle over allegations by the US company that its rival "stole

secrets - allegedly channelled to the Ger-

man car maker by the defection to Volks-

wagen of Jose Ignacio Lopez de Arriortua, a Spaniard who had been running GM's

worldwide parts purchasing operations.

SKF, the Swedish ball-bearing company.

also recently suffered an embarrassing

loss of its new product plans which was

ater traced to a disgruntled employee.

o not be surprised by the paucity of published examples of computer fraud. Perpetrators and victims feel it is in their interests to keep quiet. Financial insti-tutions, in particular, do not relish admitting that their

Fortunately, the danger of "backers" breaking into corporate computer systems is often exaggerated by the press and by security consultants; it is nevertheless real.

The future of the Serious Fraud Office, set

up in 1988 to spearhead the fight against

financial crime in the UK, is highly uncer-

Question marks over its track record

recently prompted a government review

which recommended a merger between the

SFO and the lower profile fraud investiga-tion group (Fig) of the Crown Prosecution

If the review's conclusions are adopted,

the SFO would be subsumed into the CPS.

To some observers this would appear an

be turned into executive agencies outside

the civil service as part of the govern-

Nicholas is expected to announce his con-

which lawyers, accountants and police are

supposed to pool their skills, is intended to

clusions on the

ticularly complex nature.

end of the year.

Philip Swallow, a specialist in security with Andersen Consulting, says: "Hacking is far from being a myth but nei-ther is it endemic. Managers have to be aware of the risks involved. Computer fraud by its very nature can be difficult

The European Information Technology Observatory (EITO), an organisation of European IT companies, noted earlier this year: "With the increasingly pervasive usage

Networks open to hackers rity standards within the rules technology products. information and of the systems that manage the information is becoming of great

EITO points to two important developments in recent veers: the definition of secu-

importance.

devised to allow computers from different manufacturers to work together (Open and the establishment of criteevaluation of information

Systems Interconnect or OSO completely secure system, but cost and inconvenience would

> of security implemented represents, therefore, a balance of business interests. The diversity of ways of attacking a system lends itself to colourful descriptions. There are trap doors (part of the software written in such a way that the security of the system is compromised), Tro-

A critical point is that com-

puter security is relative. It is

make it unattractive. The level

jan horses (parts of the software written so the system performs unauthorised and covert operations), logic bombs (part of the software written to trigger an operation at a subsequent date) and masquerades or piggy backs where a fraudulent terminal pretends to have legitimate access to

the system.

Most of these attacks depend on a corrupt member or members of the data processing department. Only a software specialist with intimate knowledge of a company's software would have the skill and opportunity to insert a trap door or logic bomb. Systems compromised by trap doors or logic bombs are difficult to

many systems makes it diffi-cult to check every program and section of computer code. Attacks on computer systems from the outside are

increasing. In one survey in the UK, about a quarter of the companies questioned said there had been unauthorised attempts to gain access to their systems. The National Computing Centre in the UK estimates the average cost of a security breach to a company Alan Stanley of the consul-

tants Coopers & Lybrand says the most recent figures for the UK show that some 40 per cent of companies believe their systems have been hacked into, although the damage level is low. Some 13 per cent of mission critical operations had been compromised, but again, little damage was done. Measuring the level of secu-rity afforded by a computer system has been simplified by the publication of evaluation criteria. The lead was taken by

the US in 1983 with the

Orange Book; it provides

essentially a set of standard

security measures for imple-

mentation by computer users

each with an indication of the

level of confidence afforded.

have never been wholly satisfied with the Orange Book, arguing that it is chiefly geared to military systems. The European Union has now published its own set of criteria, the White Book, which EITO says "could be considered as the beginning of Euro-pean standards for evaluating computer trust". It is, EITO argues, "one of the most significant events in the last decade in the European IT security scenario and it might cover the shortcomings and

European users, however,

Trap doors, Trojan horses, logic bombs and piggy backs are all ways to attack a system

gaps of the Orange Book". The White Book evaluates systems in terms of their functionality and effectiveness, with special reference to database management, process control, exchange data integrity, high confidentiality and high integrity environments.

The fact remains that computer systems, no matter how secure, greatly increase the possibilities for fraud. Funds can be moved virtually instantaneously anywhere in the world through computer networks. Is fraud on the increase? There is a simple, positive correlation between the level of fraud, the number of computers in use, the number of people who have knowledge of and access to computers and the number of terminals attached to computers.

The Internet, the world's largest computer network with more than 25m users, represents a special case. Designed as a channel of electronic communication between scientists and technologists, it was intended to be as accessible as possible. There is little in the way of built-in security. Earlier this year thousands of Internet passwords were stolen giving the thieves access to

secret messages and files. Now that commercial com-panies are taking an interest in the Internet for communications, the question of security is more than academic. Managers are becoming interested in electronic "firedoors", methods of preventing security lapses on the Internet from compromising their systems. An example would be a minicomputer controlling access to the Internet, collecting and

authenticating messages. Encryption is one way to make electronic messages secure but it is controversial. The US administration was forced to abandon efforts to introduce a special encryption chip, the "Clipper", which would have allowed pc users to protect themselves from hackers and fraudsters. Developed by the National Security Agency and the National Institute of Standards and Technology, its use would have allowed secret service personnel to decrypt the messages.

systems' security has been

of computers in all contexts

tions. Finally, it was given unique powers and unwieldy.

However, its past failings and the conse-

The result has been that the SFO has found itself in a similar position to that of the beleaguered Child Support Agency forced on to the defensive by a poor public image it is finding difficult to reverse. The question of public perception - rightly or wrongly acquired - is one that the attorney-general will have to consider. For the SFO to be effective, it is widely agreed, it has to be widely seen to be a credible

organisation. Perception aside, the initial review of the workings of the SPO and Fig concluded there are sound reasons for a merger of the two bodies. It found that there is considerable overlap in the worl they carry out and that it is anomalous to apply different methods to what amount to very similar cases. This problem has been enhanced over the past year because the number and size of cases referred to the SFO has dropped significantly, leaving it

The review also found room for improvement in the management of both bodies. The SFO, it reported, was not fully exploiting its current systems and lacked formal

complex fraud cases that had proved virtually impossible for police fraud squads working on their own to handle. However, as has been documented exhaustively in the press, the SFO's track record since its inception has been mixed. Its initial success in the Guinness trial,

John Mason examines the effectiveness of the Serious Fraud Office

Track record raises doubts

in Section 2 of the Criminal Justice Act

1988 to remove the right to silence and compel witnesses to give evidence.

SFO was supposed to be able to tackle

With these powers and structure, the

admission that the original conception of when four prominent City figures were convicted over the 1986 takeover of Distillan elite department to combat the most complex cases of financial fraud has failed. ers, proved the high point. The attorney-general, Sir Nicholas Lyell, Since then, headlines have been is now considering the merger proposal. At the same time, he will decide on paralrestricted to reporting failures such the lel proposals for both the SFO and CPS to

Blue Arrow trial, after which the SFO was criticised by the Court of Appeal for the size and unmanageability of of the prosecution, and the fiasco over Mr Roger Levitt, the financial services salesman who served 180 hours' community service after reeing to a widely criticised gaining with the prosecution. Lawyers involved in defence and prose-

So what has gone wrong? The SFO was set up with unique powers and structure cution work agree that not all the responto bring an increased effectiveness to the sibility for such failures should be laid at investigation and prosecution of complex the door of the SFO. The legal system that financial crime. Its brief is to tackle those the SFO has to operate within still has cases which involve considerable sums of money (more than £5m) and are of a parcrucial failings in its ability to present fraud cases that are tried by a jury. For example, there is common agreement that Unlike the CPS, it handles both the within the judiciary there are all too few judges with the necessary experience of investigation and prosecution stages although detection remains the responsi-bility of the police and City regulatory bodies. Its multidisciplinary structure, in both commercial and criminal cases to handle such difficult cases.

Equally, George Staple, the SFO director, insists that efforts have been made to learn from previous mistakes, notably on bringing to court cases that are too large

quent bad publicity has proved highly damaging for the SFO. It has had its success stories - such as the four successful prosecutions which followed the largescale investigation into the collapsed Bank of Credit and Commerce International but these are less well reported.

to pick up smaller cases that would previ-ously have been dealt with by Fig.

ment overview of important deci-

It did, however, conclude that the "Section 2" powers removing the right to silence had proved an effective weapon.

## Profile: KROLL ASSOCIATES

## Wall Street's private eye

leading corporate investigative agency, has not generally been shy of publicity. They have managed to present an the agency's founder and image of a dynamic sleuthing majority owner, former New operation, whose success has York prosecutor Jules Kroll,

which includes governments

and leading companies.

fighting off rumours of significant internal problems and creeping financial difficulties. The suggestion of something approaching an organisational emorrhage has been fuelled by a spate of high-level resig-

> to come. In an interview published in the New York Times early in September, Mr Kroll blamed unnamed competitors for spreading false rumours about the financial condition of his company which, in turn, had provoked a round of crisis management at Kroll itself.

nations and the threat of more

Most of those who have left say their reason for going was to set up their own smaller, private investigation agencies. Mr Kroll and the remaining enior executives insist that the resignations do not signify the beginning of the end. In London, Kroll's senior man, Thomas Helsby, boasts of a "critical mass of experience" among its staff which can

without difficulty absorb and overcome the temporary setback of the resignations. Not only has Kroll managed to hang on to many of its talented investigators on a full-time and freelance basis, it retains what it considers one of its biggest assets: a highly developed in-house data system. As one competitor refue-

tantly conceded: "Kroll has a

powerful armoury of research

anahility." Mr Helsby, with characterismr Heisoy, with characteris-tic bullishness, says: "Our business is growing and grow-ing, adding on new things all the time. This office is having the best year it has ever had." In New York, Mr Kroll bas published figures showing that

his company has remained profitable with a pretax profit margin of about 12 per cent. Revenues are expected to exceed \$60m this year compared to \$40m in 1990, with an increase in clients over the

past four years of 78 per cent. What Kroll executives are not prepared to counter with any conviction is the widely aired view held by its competitors that the agency may in one sense have fallen victim to its own success: its turnover is being badly dented by dishighly publicised cases.

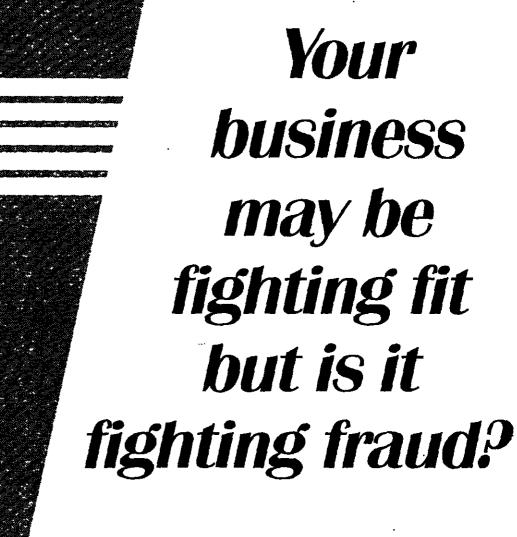
In August, it emerged in New York that Kroll was string the family of the late Italian banker Roberto Calvi for nonpayment of \$3m. Kroll, which has filed a court action in the US, hopes it will recover the money as well as recome the legal costs it will incur.

Rather more problematical is the non-payment of an even larger sum believed to stem sian government. It is estimated the contract may have cost Kroll up to \$4.7m.

The extent of the hurt caused by the setbacks, depends on whether the company can continue to diversify. Following its formation in 1972. Kroll established itself fairly quickly as Wall Street's private eye, specialising in investigations involving mergers and acquisitions. With the recession, Kroll has cast an increasingly wide net to

It still considers due diligence reports on companies part of its core work, along with fraud investigations, but its target is to become an unrivalled international provider of planning and analysis on rery aspect of security and

Mr Kroll hopes to quadruple his firm's revenues by the end of the decade, building on its partnership with the US insurance company American International Group (AIG bought 23 per cent of Kroll last year).



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## Brazilian rain sends coffee futures lower

Coffee futures rebounded from a sharp setback in volatile trading yesterday, affected by rainfall that has relieved a long drought in Brazil, the world's biggest producer.

In London, the January robusta futures contract staged a strong comeback after losing \$118 at one stage, to close just \$23 lower at \$3,485 a tonne. This compares with its nearly nine-year high of \$4,140 on Sep-

New York arabica futures continued the trend, moving sharply lower in early trading, but then striding back in the afternoon, with the March posicents a pound on a wave of

The volatility appeared to reflect uncertainty over whether the rain during the weekend, and forecasts of more to come during the early part of this week, would do anything to relieve the pressure on next year's Brazilian crop. This is expected to be well down following the drought and the two severe frosts that hit the country in June and July. A report yesterday by Weather Services, an independent US forecaster, said the recent

last severe dry spell of 1985. There was also speculation that an export sugar tax announced by Brazil on Friday might be followed by a similar tax on coffee. GNI, the London broker, commented in its daily report: "Coffee prices are still

drought was worse than the

government could well impose a stiff export tax in the very near future

However, Mr Robert MacArthur, head of the Tropical Trader Group at Merrill Lynch in London, said the price volatility had more to do with traders' own positions than with any shift in fundamentals. • Indonesia, the world's third largest coffee producer, said it would increase coffee output to 450,000 tonnes next year and predicted exports at around 300,000 tonnes, Reuter reports

from Jakarta. The prolonged drought this year had affected production would be 420,000 tonnes this year, down from 460,000 tonnes

## Fresh talks on international rubber pact set for February

A third attempt to negotiate a new international rubber pact will be made in February after consuming and producing countries failed to agree on the crucial issue of the reference price during two weeks of talks

in Geneva The 1987 International Natural Rubber Agreement, which expires on December 31, will be extended for a further year when the pact's governing council next meets in Kuala Lumpur at the end of Novem-

Producing countries had argued for a 5 per cent rise in the reference price which has remained virtually unchanged at 196.84 Malaysian/Singapore cents a kilo since 1979. However, consumer nations, led by the European Union, refused to

The rubber agreement is the only remaining international commodity pact with price sta-

COMMODITIES PRICES

bilisation provisions under which buffer stock operations are used to keep the market price of rubber within a fixed range centred on the reference

Mr Peter Lai, chairman of the United Nations-sponsored negotiations, said after the talks ended on Friday that there was "much sympathy" the lower indicative price - the price below which the buffer stock manager may, but is not obliged to, buy in stocks to pre-

There was also "the same measure of sympathy" for a more frequent review of the price range than the present 15 months. Another area of disagreement, the duration of the new accord, was unlikely to pose much difficulty, Mr Lai added. The options are a 3-year or 5-year accord with the possibility in each case of a 2-year

Thirty-one countries took

part in the Geneva talks, including the most important exporters and importers. The next round will be held in Geneva from February 6.

The argument over the reference price arises from different views of market prospects. Producers say price levels set by the 1987 accord do not guarantee farmers' livelihoods and are leading to production cutbacks at a time of rising demand. Prices this summer reached their highest levels for more than six years.

Consumers believe market conditions do not justify a rise in the reference price of rubher maintaining that recent price rallies have been driven by short-term factors and by culators.

One possible compromise is a rise in the indicative price, which is related to production costs and is therefore an important signal to growers. while leaving the reference price unchanged.

## Alcoa says avoid rivals

By Kenneth Gooding. Mining Correspondent

Employees of Aluminium Company of America, the world's biggest aluminium group, have been told to stay away from meetings where competitors are likely to be

Mr Paul O'Neill, chairman. made this edict following the recent decision by the US Justice Department to investigate whether US aluminium producers broke antitrust laws when they cut production after government representatives from some of the major aluminium-producing regions signed an unprecedented Memorandum of Understanding in

be represented However, Alcoa has told the US Aluminium Association and the International Primary Aluminium Institute it will continue to supply them with statistics. The Justice Department investigation surprised the industry because three department lawyers were present to advise on the memoran dum. Alcan of Canada and the European Aluminium Associa-

## Dutch agriculture urged to act on competitiveness and quality

Dutch agriculture must go on the offensive if it is to maintain its leading position in European and world exports, according to Mr Jozias van Aartsen, agriculture minister in the new Datch government, Mr Aarsten's call for action, made last week, follows the publication of a report showing

that farmers, horticulturists and livestock breeders are losing their reputation for quality and failing to respond to changes in European demand. The minister urged farmers, agricultural produce boards and other organisations in the sector to come up with ideas for a response to the report's findings by the end of the year.

February. Alcoa insisted that Mr O'Neill's instruction did not arise from any heightened concern about the antitrust inquiry. Mr O'Neill said in his note to senior managers he was sure no employee had engaged in any improper con-duct. Nevertheless: "It is prudent to take into account the possibility of changing standards of enforcement and com-

pliance by governmental agencies as administrations change. As a responsible company we want to assure the reduction of any risks arising from misunderstandings regarding contacts with competitors." In future, employees would need explicit permission to attend any meeting where rival companies would

tion have also been asked to co-operate in the department's inquiry.

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The report, compiled by the consultants A.T. Kearney at the ministry's request, concludes that the agricultural sector - a key motor of the Dutch economy, accounting for 26 per cent of exports - is lagging behind competitors in countries such as France and Denmark.

"In the mid-1980s the Dutch agri-sector was a textbook example of efficiency and quality. Since then it has changed into a bulk producer with low product variety," the report

The Netherlands' competitive position in cut-flowers and seeds remains strong, but this is not enough to compensate for weaker performances in the dairy, vegetable and pork

The consultants argue that the Netherlands' relative decline in European market share has been masked by continued increases in the value and volume of agricultural

One of the main factors

behind the decline is the fallure by Dutch agriculture to respond effectively to the demand for a greater range of products and product specifications, particularly from Europe's increasingly powerful food retail groups.

In the dairy sector, for examnle, the report cited criticism by retailers of Dutch cheesekers, which have scored inst one success over the past 15 years: the launch of Leer-

By contrast, the Danish and

attention to feta and mozzarella cheeses to take advantage of the popularity of Mediterra nean products.

The Dutch, unlike the Germans and French, also seem to have missed the growth of European demand for new des-

One reason for the lack of innovative skill seems to be a conflict of interest within the Netherlands' agricultural co-

At dairy co-operatives, the owners - the farmers - want high prices for their milk. But the co-operatives would be able to make more long-term investments in research and develop-

## Ukraine expects lowest grain harvest in over a decade

By Matthew Kaminski in Kiev

Ukraine, the former Soviet Union's bread basket blessed with exceptionably fertile soil, yesterday announced it expects this year's grain harvest to be the lowest in over a decade. The gross harvest, including corn, will stand at 37.7m tonnes this year, 6.4m less than expected and a 17 per cent drop on last year's 45.6m tonne har-

vest, according to the Ministry of Agriculture. However, Mr Viktor Gluzdeyev, a government spokesman, told Interfax-Ukraine news agency yesterday that Ukraine does not plan to make up the gap with imports and that the harvest is sufficient to

meet domestic demand. The large state-run sectors produced a 35m tonne harvest vield, short of an expected 40.7m tonnes. The tiny private farms showed slightly better

Overall, average grain yields

will be 28.6 centners per hectare, roughly half western Euro-

The blame for the lower yields - the spring crop was also down 40 per cent - rests partly on a drought this year and on the slow pace of Ukraine's attempts to overhaul the agricultural sector, which ruled by powerful

Declining production might jump start reform, however, Structural changes urged by the World Bank include land reform, privatisation of food processing and farm infrastructure such as grain silos, and liberalisation of domestic trade in products.

Experts say reforms are seded to improve incentives for farmers who are currently forced to sell at low state-set prices, and to restructure the inefficient collectives still dominant in Ukraine.

Mr Neil Spooner, an agricultural consultant, said the fault culture," he said.

MEAT AND LIVESTOCK

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lies with the government's con trols on prices and trade, not with farmers or the land, since average yields at state and private farms are half those achieved on farms participating in joint-ventures with westem firms.

A Ukrainian government spokesman this week outlined plans to eventually put 60 per cent of land in public hands the state currently owns 93 per

Subsidies to Ukraine's agricultural sector eat up half the state's annual budget and feed inflation. Economic advisers argue farming can survive without the credits and even compete on western markets. Ukrainian President Leonid Kuchma in a policy speech last week endorsed farm reform, including plans to decentralise control within powerful minis-

tries such as agriculture. "The key to the realisation of real reform in Ukraine is agriment of new products if raw material prices fell, the report

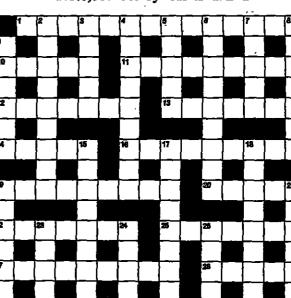
## MARKET REPORT Copper highly volatile

COPPER fluctuated wildly on the London Metal Exchange yesterday, reaching \$2,520 a tonne at one stage before closing \$5 down from Friday at \$2,476.50. There was a \$5 a tonne premium for metal for immediate delivery compared with three month aluminium at the close and that backwardation (premium) reached a notional \$50 at one point. Traders said the bulk of the activity reflected "third Wednesday" pricing and trading, and covering against nearby option commitments. Big cash purchases defended the \$2,500 level in the morning before heavy Far Eastern selling and fund liqui-dation established the lower trend, they said. **ALUMINIUM** prices reached

a new four-year high of \$1,720 a \$1,715.50, up \$7.75. Compiled from Reuters

## **CROSSWORD**

No.8,587 Set by CINEPHILE



1, 10 Offer opener to small com-11 Inferior time to back revolu-12 Trouble at great event on

river (7) 13 Sanction use of last piece of

in part (5,4)

13 Keep going by stern (9)

20 Primate among students attached to the collar? (5)

22 Without me academics could be producers of drones (7)
25 Our two grams may become

vania (9)

27 Little time in basin, long time for reduction (9)

28 This country, like the east, gets Russian order (5)

29 Where's my shroud? (4,2,4,4)

vania (9)

Plus sign, as it were, man parsed incorrectly (9)

Printing units like this make a painter (7)

21 Bar-man goes west in stratum

DOWN
2 Negro word for malefactor? (9) Prison ships are fast (5) water pressures, in part (4,5) 5 Three-quarters of half a

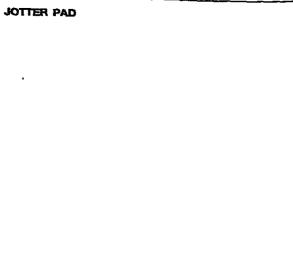
pearl (9)
7 I had a house in the state (5)
8 A little bit of fire, for example

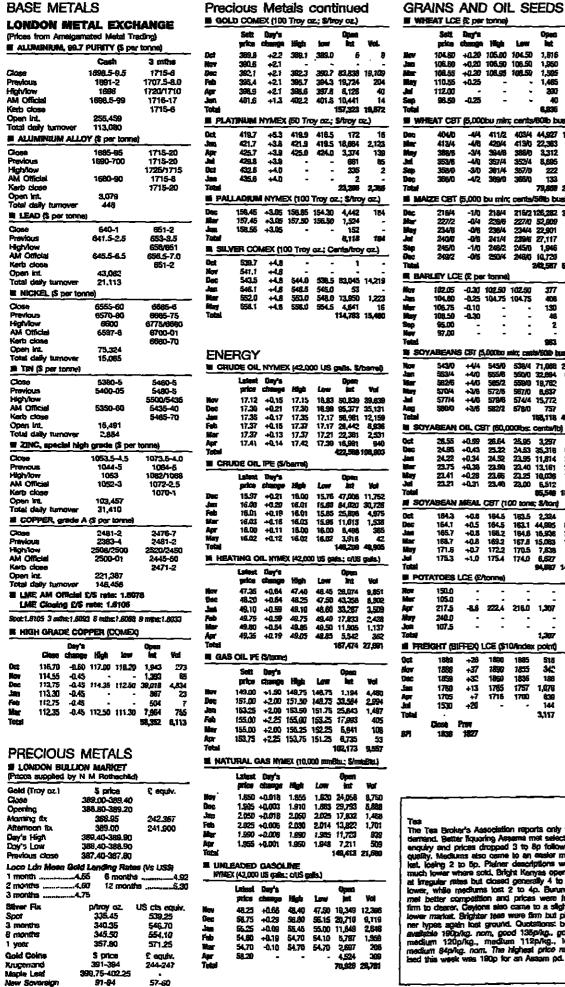
Gold in pithead is to be lent arising in horse medicine

shortly (9)
17 Things that happen to man

(6)
23 Swear to take dogs east (5)
24 Holy man's help is settled (5)

Solution to Saturday's prize puzzle on Saturday October 29. Solution to yesterday's prize puzzle on Monday October 31.





104.60 +0.20 106.00 104.50 1,516 106.60 +0.20 106.50 106.50 1,950 108.55 +0.20 108.95 108.50 1,505 110.55 +0.25 - 1,485 937 22,632 1,046 968 43,125 1,723 981 14,134 483 996 6,145 123 954 988 889 E COCOA CSCE (10 ton 1281 32,021 4,119 1330 21,488 2,030 1381 7,718 90 1395 3,047 137 1428 1,325 5 - 4,984 20 1299 1347 1375 1404 1428 Dec Mar May Juli Sep Dec Total MAIZE CBT (5,000 bu min; cents/586 bushel) ■ COCOA (ICCO) (SDR's/tonne) -1/0 2184 2152125,282 36,306 -04 2286 227/0 52,609 7,207 -06 2364 2344 22,901 2,518 -06 2414 2296 27,117 4,384 -1/0 248/2 24570 1,945 212 -06 2504 248/0 10,723 1,684 3435 7,957 844 3390 13,473 1,982 3316 7,526 987 3310 2,799 205 3350 1,325 15 3300 1,422 20 BARLEY LCE (2 per tonne) -0.30 102.50 102.50 -0.25 104.75 104.75 -0.10 -0.30 377 408 130 48 2 COFFER 'C' CSCE (57,500fbs; cents/fbs) 203.85 +5.50 207.50 179.00 14,787 4,751 208.05 +5.30 212.00 184.90 11,184 1,298 201.75 +6.00 201.75 189.75 4,458 595 202.75 +6.00 202.75 190.75 1,613 175 203.00 +6.00 199.55 191.00 827 43 205.55 +6.00 197.00 193.55 840 61 +4/4 545/0 538/4 71,088 28,016 +4/0 555/8 550/0 32,894 6,895 +4/0 565/2 559/0 18,762 3,317 +4/0 579/6 574/4 15,772 1,395 +4/0 579/6 574/4 15,772 1,395 +3/6 582/2 578/0 757 1,56 SOYASEAN OIL CET (60,000lbs: cents/lb) NOT PREMIUM RAW SUGAR LCE (corts/fbs) 25.55 +0.59 26.64 25.95 32.97 735 24.95 +0.43 25.22 24.53 35,318 9.831 24.22 +0.34 24.52 23.95 11,614 2,652 22.75 +0.38 23.90 23.40 13.161 24.61 22.41 +0.28 23.65 23.25 10,036 1,382 23.21 +0.31 23.40 23.00 6,512 745 Dec 344.50 +520 348.50 349.00 3,843 18ar 338.60 +4.10 340.00 335.50 8,132 18ay 338.60 +3.90 338.90 335.40 1,838 Assg 336.40 +3.90 338.70 333.00 2,233 Oct 317.90 +2.90 318.40 315.40 289 Dec 316.80 +2.90 18.40 315.40 18.004 2 18.0 M SOYABEAN MEAL CET (100 tons; \$/ton) 344.50 +5.20 346.50 340.00 3.848 523 338.60 +4.10 340.00 335.50 8,132 1,262 338.60 +3.90 338.70 335.40 1,888 363 336.40 +3.90 338.70 335.00 2,233 273 317.90 +2.90 318.40 315.40 2280 159 316.80 +2.90 +0.5 164.5 183.5 2,33.4 905 +0.5 164.5 163.1 44,995 8,842 +0.5 166.2 164.6 15,936 2,363 +0.8 169.2 167.8 15,063 1,125 +0.7 172.2 170.5 7,638 439 +1.0 175.4 174.0 6,527 397 94,967 14,466 12.82 +0.25 12.83 12.59 82.789 19.947 12.79 +0.20 12.80 12.59 19.024 3.821 12.89 +0.18 12.99 12.49 12.997 1.616 12.39 +0.15 11.96 11.91 14.46 66 12.00 +0.15 11.96 11.91 14.46 66 12.00 +0.15 12.00 +0 150.0 105.0 217.5 E COTTON NYCE (50,000lbs; cents/lbs) -0.50 68.50 88.50 24,728 6,880 -0.30 71.25 70.32 12,744 1,748 -0.35 72,10 71.40 6,902 370 -0.57 72,75 71.73 4,951 174 -0.15 - 543 21 -0.27 69.26 69.00 2,988 75 # ORANGE JUICE NYCE (15,0000b); cents/fbsi 105.35 +0.85 106.80 103.00 6,845 4,824 108.15 +4.90 109.25 106.85 7,774 909 112.30 +5.00 112.30 109.50 5,009 241 115.50 +4.90 115.70 112.75 1,241 62 118.80 +4.55 118.00 115.50 710 103 121.15 +3.40 127.00 119.00 354 61 27.15 +3.40 127.00 119.00 354 61 Test
The Test Broker's Association reports only fair terrend. Better fiquoring Assems mot selective enquity and prices dropped 3 to 8p following quality. Mediums also come to an assior market, losing 2 to 5p. Plainer descriptions were much lower where sold, Bright Kenyas opened at imagular rates but closed generally 4 to 8p lower, while mediums lost 2 to 4p. Bunnels met better competition and prices were fully firm to dearer, Caylons also came to a slightly lower market. Brighter test were firm but plainer types again lost ground. Quotations: best available 190p/liq...nom, good 135p/liq... good medium 120p/liq... medium 112p/liq... jour medium 84p/liq... nom. The highest price realized this week was 190p for an Assam pd. VOLUME DATA Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CST, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. INDICES **E REUTERS (Bess: 18/9/31=100)** Oet 14 month ago 2062.9 2112.2 E CRB Futures (Base: 1967=100)

37.650 -0.800 38.200 37.400 8,779 37.725 -0.790 38.220 37.550 855 38.150 -0.700 38.425 38.050 279 38.475 -0.825 40.000 38.850 283 38.600 -0.550 39.300 38.750 57 LONDON TRADED OPTIONS E ALLIMINIUM LONDON SPOT MARKETS THE CRUDE OIL FOR (per barrel/Dec) \$14,66-4,762 \$15.73-5.77 \$15.91-5.92z \$17.19-7,23z TO CAL PRODUCTS NWE prompt delivery CIF (tonne) \$172-175 Gas Of \$172-174 \$155-166 TOTHER Gold (per troy oz) Silver (per troy oz) Petitrum (per troy oz.) Petitedium (per troy oz.) Copper (US prod.) 121.0c Lead (US prod.) Tin (Kusis Lumpur) Tin (New York) 257.5c Cattle (live weight)† Sneep (live weight)† Pigs (live weight) Lon, day sugar (raw) Lon, day sugar (wte) Tate & Lyle export Borley (Eng. feed) Matze (US No3 Yellow) Wheat (US Dark North) Pubber BCL RSS No1 July Coconut Oil (Philis Palm Oil (Malay.)§ Copra (Philis ms (US)

+1.0 +2.11" +0.46 -1,0 +10.0

## LONDON STOCK EXCHANGE

## Footsie bounces from 3,100 in subdued trading

By Terry Byland, UK Stock Market Editor

Firmness in government bond prices yesterday helped the UK equity market recover after at first dipping below the Footsie 3,100 mark recaptured so recently. The London market was also helped by renewed focus on the defence sector after suggestions that GEC, already closely watching developments in the VSEL situation, might be interested in bidding for British Aero-

London traders maintained that the outcome of the German elections had been widely foreseen, but the big dollar earning stocks were subdued by uncertainty over the medium term outlook for the US currency. Oil shares lacked strength as the Iraq-Kuwait situation

Trading volume was generally poor, but with activity in the defence stocks boosting the Seaq total. A trading programme ranging across the FT-SE 100 and Mid 250 stocks was printed in the second half of the session.

Led by stock index futures, the market bounced from its early low and, at the day's best, the Footsie was 26 points ahead. Support faded later and in spite of a rise of 18 points on the Dow Jones Indus-trial Average in UK trading hours. the final reading of 3,120.2 on the FT-SE 100-share Index showed a gain on the day of only 13.5 points. Private investor interest appeared to have faded away again, leaving the broader range of the market without much strength to

The FT-SE Mid 250 Index gained had little impact since the share 4.6 at 3,548 and overall volume of price remains linked, via the share 459.5m shares through the Seaq network showed a fall of nearly one fifth from Friday's total. Volume in equities was boosted at the close on Friday by the sudden weakness in the US dollar which prompted some US selling of the blue chip interna-

tionals in London. Press suggestions that GEC might bid for British Aerospace were not new, having been widely canvassed as a part of the general reshaping of the western defence industry envisaged following glasnost.

There was significant market support for a GEC move yesterday. although few analysts expect such a development without offical sanction. At least one sector analyst rejected any suggestion of a GEC strike. Trading figures from VSEL price remains linked, via the share bid offer, to the Aerospace share

Shares in Eurotunnel responded firmly at first to the board's interim report, which rejected outright any talk of another rights issue or threat to banking covenants. But by the close the shares were slipping away as analysts focused on the disappointing downgrading of 1994 revenue forecasts.

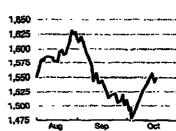
Traders took a mixed view of prospects for the UK equity market in the near term. The institutions were clearly keeping out of the way sterday, waiting for the latest UK Public Sector Borrowing estimates, wich are due this morning. Most forecasts are for a sharp increase in the September figure and there is some doubt as to how this would be

taken in the British government bond market.

The recovery in UK gilts remains the key to a genuine rally in UK equities and analysts noted yesterday that the FT-SR 100 Index is still unable to break away from the 3,100 level which appears to have become a significant barrier.

However, some traders commented that much of the potentially unsettling news in the market ranging from the German elections to the latest raft of US economic statistics - is now out of the way and that UK equities could resume their upward path. Doubts over the delay in recovery in retail spending failed to hold back shares in the big store groups, and banking stocks continued to hope that domestic base rates can remain at present levels, at least until the new year.

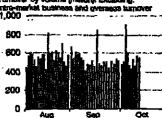




## 400

FT-SE-A Non Fins D/e

Equity Shares Traded



**Best performing sectors** 

	_	
dices and ratios		
f-SE 100	3120.2	+13.5
-SE Mid 250	3548.0	+4.6
-SE-A 350	1563.0	+5.6
-SE-A All-Share	1548.45	+5.34
'-SE-A All-Share yield	3.87	(3.89)

(89.81) -18.0 FT-SE100 Fut Dec 10 vr Gilt vield (0.65)Long gitt/equity yld ratio: 2.22

19.05

Worst performing sectors 1 Gas Distribution ... **Building & Construc** 3 Engineering, Vehicles 5 Textiles & Apparel ...

## Spotlight falls on BAe

The spotlight in the VSEL takeover saga swung away from the submarine maker yesterday, to beam full square on British Aerospace following weekend press reports that BAe might itself end up the victim of GEC's huge cash

BAe, which has an agreed offer for VSEL on the table surged 28 to 498p in turnover

Stock index futures were

swinging about erratically but

up on the day, writes Jeffrey

eventually closing comfortably

IN FT-SE 100 INDEX FUTURES (LIFFE) \$25 per full index point

3140.0 3163.0

3570.0

Calls () Poin () Settlement prices and volumes are taken at 4,50cm.

Open Sett price Change High Low

+18.0 +18.0

3570.0 3570.0 +10.0 3580.0 3570.0

2975 3025 3075 3125 3175 3226 3276 3225
152 1 103 2 51<sup>1</sup>2 6<sup>1</sup>2 23<sup>1</sup>2 22<sup>1</sup>2 6 55 1<sup>1</sup>2 1 1 149<sup>1</sup>2 1 199<sup>1</sup>2
176 17<sup>1</sup>2 139 27<sup>1</sup>2 103<sup>1</sup>2 42 73 61 48 88 35 171<sup>1</sup>7 154<sup>1</sup>2 9 155<sup>1</sup>2
197 31 160<sup>1</sup>2 47 127<sup>1</sup>2 63 97<sup>1</sup>2 63 71<sup>1</sup>2 109<sup>1</sup>2 49<sup>1</sup>2 133<sup>1</sup>2 33 167 22 205
215<sup>1</sup>2 81 155<sup>1</sup>2 118<sup>1</sup>2 106 165<sup>1</sup>2 60<sup>1</sup>2 227<sup>1</sup>2
286 104<sup>1</sup>2 198 140<sup>1</sup>2 146<sup>1</sup>2 135 165 239<sup>1</sup>2

3450 3690 3650 3600 3650 3700 3760 1254, 824, 188 1064, 783<sub>2</sub> 1344<sub>2</sub>

III FT-SE MID 250 INDEX PUTURES (LIFFE) \$10 per full index point

III FT-SE MID 250 INDEX FUTURES (CMLX) \$10 per full index point

III FT-SE 100 INDEX OPTION (LIFFE) ("\$120) £10 per full index point

III EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

III EURO STYLE FT-SE MID 250 MIDEX OPTION (OMLX) 210 per full index point

volatije in duli volume.

**EQUITY FUTURES AND OPTIONS TRADING** 

of 5.9m, at which level its market capitalisation is around £1.87bn. At the last count GEC was known to be sitting on cash funds of some £3bn.

GEC. which last week declared itself as a potential counter-bidder for VSEL, is widely understood to have held talks last year aimed at merging its defence business with that of BAs.

GEC opted to play its cards close to its chest yesterday, putting out a firm no comme statement. The shares rose 2 to 2950 in turnover which at 3.7m suggested that the rumour mill was not having too great an effect on activity. VSEL dipped 5 to 1320p fol-

The FT-SE 100 December

contract was 18 points higher

at 3,140 at the official 4.10pm

close, having touched a 3,163

3163.0 9115.0

Est, voi Open int.

lowing half-year results which included an increased interim dividend and a declaration that September cash balances stood at £364m.

## Eurotunnel down

**Eurotunnel's announcement** that revenue for 1994 would be in the region of £34m, and not the £137m forecast at the time of the May rights issue, left the shares down 7 at 221p, the lowest since February 1988.

This was far worse than even the most pessimistic London analyst had expected and the company now has very few friends in the City, UBS reiterated a sell notice which has

best for the day towards the

At this level the premium to

Trading volume was flat, with

just 11,811 contracts showing

an average of 15,000 for the

final two days of last week.

little two-way business and

direction," commented one

trader. Futures markets were

watching the dollar, as it made

its response to the outcome of

On the upside, traders see

3,170 as the most immediate

Activity in traded options

was also light, with 22,778 lots

contracts on Friday. FT-SE and Euro FT-SE trading accounted for just over 14,000 lots.

British Aerospace headed

options with 1,868 lots dealt.

British Steel (1,844 lots) and

the list of active individual

HSBC were also busy.

the German elections.

selfing point, Wall Street

continues to provide the strongest leads.

comparing with 34,231

that most deals were hard to

trade. "Everybody's unsure of

at the official close, down from

Traders said there was very

the cash market was around

20 points and the fair value

premium just short of 13

end of the morning session.

commodity prices in the US been in place for a recordbreaking seven years. would be irrelevant to European chemicals groups because of the low levels of its exports Few houses had any clear

idea of where Eurotunnel's trading patterns go from here. The general consensus was that if another immediate cash call has been avoided there could yet be painful decisions early in the new year.

## ICI strong

Chemicals leader ICI outperformed the leading share index smartly on a combination of positive press comment and analysts' recommendations.

1,000 122 1,900 1,700 1,

Electrocompa Eng China Claye Enterprise Off Sungal Units

Pictus
Pictus
Pictus
Portigin & Col. LT.
Portigin
Gen. Accident!
Genoaci Elect.†
Glascof
Glasc

Named Pearsont P & Of

Secondary (Secondary)

South A. Neghow?

Smith A. Neghow?

Smith B. Neghow?

Smith Benchant III

South Wass. Bench

Stacehouse

Smith Jane III

Stacehouse

Smith Jane III

Stacehouse

Jane Jane III

Smith III

S

Initially, the shares spiked higher as one newspaper argued that any softening of

## TRADING VOLUME following last week's weakness saw the shares recover 25% to III Major Stocks Yesterday

to the US.

Then, securities houses UBS

and Hoare Govett stressed

their positive view of the stock.

Mr Martin Evans of Hoare said:

"Given the forward momentum

of earnings recovery the cycli-

cal rating has scope to expand

upward." Even NatWest Secu-

rities, which has a more down-

beat view of the stock, antici-

pates "sparkling" third-quarter

figures on October 27, given

the "dramatic product price

increases coming through in

petrochemicals, plastics and

some bulk inorganic chemi-

cals". A rash of cheap buying

US sellers of BP News that US investors have continued to reduce their holdings in BP in recent weeks left the shares slightly under the weather and finally a penny easier at 4211/sp, although dealers were at pains to point out that the stock had outperformed the market by a substantial amount this year. And the stock price was helped by bullish noises from Lehman Brothers, the US brokerage.

BP said ADRs issued by Morgan Guaranty Trust of New York accounted for 19.54 per cent of BP's issued capital, or 1.07bn shares, down from a previous level of around 19.7 per cent and a high point of

## **NEW HIGHS AND LOWS FOR 1994**

EM HECHS (51) GE, TS (1) BURLDING & CASTRAI (2) Shorco, Vibroplant, BLOG MATLS & MCHTS (7) John Marsied, CRESSIGALS (1) European Calcur, DESTRIBUTIONS (1) Findest, ELECTRING & ELECTRIC & ELE GELTS IN BUI

L PACKO (1) Seppi. SUPPORT SERVS Serva, SOUTH AFRICANS (1) SASOL.

Serra, BOLTH AFRICAMS (1) SABOL.

NEW LOWS (80).

REW LOWS (80).

SANCS (4) ANZ, Barrix of Scot. 9'spop Pri., Do

SHOP Pri. Nat'l. Aughste Barrix, BILLIDING &

CHISTEN (2) BE & EA, Barr (API, BLOZ MATLS

& MCHTS (2) Dyson (1 & J. Titon,

DETTRIBUTIONS (4) ABI Laterus, EW Past.,

Postorus, None, DWESSTRED NOUS (1) STR

Nyles, ELECTRING & ELECT SQUP (2) DRS

Data, Ross, Genzerus, Johnson Electric Incl.,

EMGNESPING (2) Hurfling Morgas Cruzille,

EMG, VEHICLES (1) Motor World, EXTRACTIVE

RIDDS (8) Pacific Are Expin., Spa Res.,

HOUSSHOULD GOODS (2) Fine Decor. Vyriura. HOUSEHOLD GOODS (2) Fine Decar, Vymura INSURANCE (1) Minsh & McLenner,

NOVESTIMENT TRUSTS (2) Ping. Grd. Inc., & Peacts 6.3pc-13.3pc Prg., New Zeeland Inv... INVESTMENT COMPANIES (4) Korea China Super Fd., Portugel Fd. Ptg. Prl., Spt Smaler Co's, Do Wints., LEISURE & Smeler Co's, Do Vantes, LESRIFE à HOTELS.

G) Aktoure 616p Pt., Forningford, Sinclair (Wm.),
MEDIA [8] Hodder Headline, Cuerto-Trinky Int'l
MERCHANT BANKS [1] Wismest, O'THER FINANCIAL, 46 Euco, London Finance & Inva.,
Tyrdal Australia, Tyrdal Australia Options,
PHARMACEUTICALS [1] Gemplen, PRTNIG,
PAPER & PACKG [4] APT, Bermons, Brit.
Thomton, Lausdon Merchan, PROPERTY (5)
NOCO, Mountnéew Este., Property Trust[FV].
RETAILERS, FOOD (1) Shoptin, RETAILERS,
GENERAL (5) Centors, Country Cessitis, Ryling
GENERAL (5) Centors, Country Cessitis, Ryling

RESTRALLISES, POUD (1) STICKING, RETRALLISES, GENERAL S) Centon, Country Cessivis, Ryling Flowers, CS, Rhino, SUPPORT SERVIS (1) Microgen TEXTILES & APPAREL, (6) Alexandra Worlowesz, Campani Infl., Shyrwood, Sinder, TRANSPORT (5) Eurobarnel Links, Mayer Nicideas, Ward AS Fines, AMERICANS (2) California Energy Co Inc., Mathy Technology.

above 26 per cent last year. BP shares reached an all-time high of 430p last month. Shell edged up 3 to 730p as the market responded to a buil-

## for petrochemicals.

Exco, the money broking group which came to the market in the summer at 175p a share, lost 15 at 1790, after 180p, as the market reacted badly to news of the resignation, from December 31, of Mr Ron Sadler, the chief executive. He will be succeeded by Mr Peter Edge, who currently

> Mr Sandler joined Exco in April last year and is thought to have crossed swords with the rest of the broker's board, according to dealers. "It looks bad so soon after the flotation," said one dealer.

runs Exco's money broking

Exco reiterated the view that its performance for the year "will be satisfactory" but also warned of subdued trading in the third quarter.

The dollar's retreat affected HSBC, whose fortunes are viewed as linked to those of Hong Kong. HSBC shares, which began to weaken late last week, slipped 7 to 716p. Guinness put on 6 at 466p, with NatWest Securities

adding the shares to its Top 15 performing stocks. Highland Distillers dipped 15 to 419p in spite of improved half-year profits and an extra 0.66p on the interim dividend.

Northern Ireland Electricity was one of the star turns in a generally buoyant electricity sector, the shares climbing 10 to 3850 after the company said it is looking at ways of restoring the electricity transmission link with the Republic of

ish Press report on the outlook | Ireland, a move long viewed as bullish for NIE.

Pharmaceuticals Zeneca was helped by news that it hoped to extend the range of its prostate cancer drug, Zoladex, in the US. The shares rose 9 to 833p.

Rival Glaxo was assisted by the publication of a large trade carried out two working days previously at above the current market price. A block of 4.4m shares was placed at 620p a share and the underlying stock moved forward 3 to 615p in spite of a persistently weak US

The latest national newspa per circulation figures acted on various media stocks. Mirror Group Newspapers was 2 firmer at 134p after its flagship paper recorded a 0.58 per cent rise in circulation against 1/2 per cent fall in the Sun, whose parent company News International closed unchanged at 149p. Telegraph shares were down 5 at 341p and Sunday Telegraph sales were down on

Cable and Wireless's recent bout of outperformance triggered some switching by action funds out of C&W, 7 off at 414p, and into BT, up 6 at 400%p.

In an otherwise quiet prop erty sector, MEPC fell 10 to 432p following a downgraded net asset valuation by BZW.

MARKET REPORTERS: Steve Thompson, Peter John,

Jeffrey Brown,

Net Div. Grs P/E div. cov. yld net

WN4.0 21 4.4 10.9

RN8.0 22 4.1 7.4 RN8.6 1.6 8.2 9.5

## LONDON EQUITIES

## RISES AND FALLS YESTERDAY LIFFE EQUITY OPTIONS Oct Jas Apr Oct Jan Apr Option How Feb May Nov Feb May 220 20 2314 28 214 814 814 814 240 814 12 15 9 1514 1814 134 2014 -- 3 -- 154 814 -- 154 814 -- 154 814 -- 154 814 212 2514 1314 1314 2214 Consumer Goods ... (151) (189 ) Britt Almanya 380 25 35% 46 1% 12% 17 (381 ) 390 4% 18% 30% 13 28% 32 3m2 Bohm A 420 18 31% 41 5% 16 24 (435 ) 460 1 13% 23 28 38% 46 Bohm S 500 34 43 56 1% 9 18% (531 ) 550 2% 18 28% 22 35% 41 800 4814 86 75 6% 15% 29 650 15% 36% 46 26 36 54 (\*637 ) Placington (\*189 ) Prudentik 180 14% 17% 23% 3% 7% 11 200 4 8 13% 14% 19% 22% 300 17 26% 30 6% 11% 19 330 4 12% 15% 25 28% 36% 850 \$5½ 77% 86% 5½ 21% 35 900 22% 46 68 27% 43 58% 400 35 51% 59 5% 13 26 500 12% 29 37% 23% 30% 48 280 28% 30 36% 7 13% 16% 300 8% 18% 26% 17 23% 30 TRADITIONAL OPTIONS BP 420 8½ 23 33½ 8 18 25 (\*421 ) 460 1 7½ 18½ 40½ 45 49½ Bittiss Steel 180 6½ 13½ 29 2½ 8 10½ (\*164 ) 180 1 5½ 11½ 17½ 20 22 Base 500 45½ 54 59 1½ 13½ 17 (\*541 ) 550 7 22½ 30 15½ 38 42½ Calls: ACT, Alvis, Cost Inv., Gisto, Hick Puts: ACT, Sharelink, Waverley Mag. 220 20% 26% 31% 3 6% 11% 240 7% 14% 20 11% 17 21 200 17% 28 20% 4 9 12% 217 7 14 - 11% 17% -325 26% - 3% - -354 7% - - 16 - -Contact Was 390 291/2 42 54 11/2 14 21 (415 ) 420 61/2 271/2 38 111/2 271/2 341/2 Constraints 450 85/2 28 571/6 774 231/2 231/2 (461 ) 500 1 160/2 24 401/4 501/2 501 501 2 311/4 361/6 77/2 211/3 34 (545 ) 592 1 12 201/4 481/4 531/4 67 (212) LONDON RECENT ISSUES: EQUITIES Oct Jan Apr Oct Jan Apr 500 14 26 38 4½ 15½ 21 525 3 14½ 25½ 22 25½ 33½ nr 500 30½ 40 51½ 1½ 15½ 15½ 550 2½ 16 28 25½ 42½ 47 800 25% 52% 67% 5 23% 43% 850 3 27 43 36% 51 71 500 111% 30 47 8% 23% 33 550 1% 13 26% 52 57 63 130 113 Compel 112 1 Compel 112 1 Comf Foods Wris 66 67 Emerging Mids C 65 Ennembx 126 115 Genes Workshop 35 32 Group Dr Cap Wis 62 60 Hambros Asian 30 28 Co Westerts 176 Mackle Ind 170 Man ED & F 379 300 Templeton E New 121 188 Do. Wris. 2004 360 340 Wreshern Water 330 325 Do. NV 17.2 1.30 24.4 12.2 39.1 2.66 31.0 Dac Mar Jan Dec Mor Jun Land. Secur. 800, 2014, 41, 52, 114, 11, 16 (\*527.) 550 2, 1514, 2614, 2634, 2634, 3734, 42, Marina, & S. 420, 9, 2314, 2314, 49, 16, 2714, (\*624.) 460, 1, 8, 1574, 5774, 43, 46, Martinant, 500, 14, 3414, 45, 6, 2114, 35, (\*507.) 550, 1, 1314, 23, 4534, 51, 87 1 390 38 45 49 5½ 15 21½ 420 15 27½ 32½ 19 31 36½ 25 4½ 8 5½ 1½ 2½ 3 30 2 3 4 5½ 6 550 42 55 62½ 12½ 25% 32½ 900 16 29 38% 38 52½ 90 Althoy Kell (\*414 ) Ametrad (\*28 ) Barclays 3.00 30 17.4 195 444.6 161 113.8 379 11.9 212 28.3 360 (572) Salesbury 380 17% 31 42% 3½ 16½ 21 Blue Circle 280 25 33 38 7 11½ 21½ (\*403.) 420 2 16% 27½ 20% 83 38 (\*22% 10.) 300 13% 22 22% 15 21 31 Shell Trans. 700 34 52½ 61 2 11½ 23 British Gas 280 21½ 22 33% 5 11 17 (\*730.) 780 3 22% 22% 23% 4 32 33% 40 (\*231.) 300 18 18 23 15½ 19½ 27 Bloratous 200 18% 18% 22 1½ 7½ 12% Dlorate 200 17 22 27½ 3 15% 19 (\*207.) 220 1½ 7 12½ 15 19 24 (\*204.) 220 8 13 18% 22 26 31 RIGHTS OFFERS 28/11 25/11 18/10 29/11 9/11 14/11 15pm Cetties Lepin Dragon Oli 24pm Reckitt & Coin 57pm Smurik (4) 10pm UniChem 3pm World of Leeti 118 Ir4p 500 FINANCIAL TIMES EQUITY INDICES 200 2817 50 107 117 127 207 2817 291 200 2814 31 2814 314 6814 18 2814 17 1814 18 650 38 78 80 19 32 45 700 3015 5114 6314 44 5615 60 6ct Jan Apr Oct Jan Apr 480 82 88 741/ 10 201/ 26 Townstan 500 27% 45% 53% 53% 45% (219 ) 420 43% 54 62 3 9 18% (62002 580 14% 28 37 16% 28 37 (679 ) Cation Oct 17 Oct 14 Oct 18 Oct 12 Oct 11 Yr ago Ordinary Share 2400.4 2391.2 2412.2 2882.0 2357.8 2363.0 2713.6 2240.8 Ord. div. yield 4.29 4.32 4.28 4.33 4.37 3.53 4.51 3.43 Earns. yiel. % tult 6.15 6.15 6.10 6.17 6.23 4.58 6.51 3.82 P/E ratio nit 18.22 18.71 18.85 18.65 18.65 27.83 33.43 16.99 P/E ratio nit 18.35 18.24 18.39 18.18 18.01 25.48 30.80 17.09 Wellcome (\*879 ) Option EIR 300 22% 33 37% 4 8% 14% (\*\*\*) 230 8% 16% 22 18 23% 30% 8% 16% 22 18 23% 30% 8% 16% 24 32 6 15% 19 (\*\*\*) 240 9 24 84 34 36% Cathery Sch. 420 32 43 48% 30% 6% 17 | Column | C (1615 ) (1615 ) (1686 75p sta (1716 ) Open 8.00 10.00 11.00 12.00 13.00 14.00 15.00 18.00 High Low Eastern Sec. 700 57 75% 91 10% 25 34 (742 ) 750 2616 47 84% 30% 46% 55% 848ness 460 17 31% 38% 9% 18 25% (7485 ) 500 4 13% 19% 38% 43% 49% 682 280 19% 24% 30% 3 .8 11% (7294 ) 300 7 13% 19% 11% 17% 20 2386.8 2398.0 2399.1 2406.1 2401.8 2397.2 2396.8 2400.4 2402.4 2409.3 2385.5 Rufs-Royce 180 11 18 21% 5% 10% 15 (\*183.) 200 3% 9 12% 19 22% 28%

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Additional information on the FT-SE Actuation Share Indicate is published in Saturday insues. Usts of constituents are explicitly from the Financial Times Lambed, One Southwish Bridge, Lordon SEI SH. The FT-SE Actuation Share Indicate Share Indicate which covers a range of electronic and paper-based Lambed, One Southwish Bridge, Lordon SEI SH. The FT-SE Actuation Share Indicate, which covers a range of electronic and paper-based time FT-SE Actuation in the FT-SE Actuation in the FT-SE Actuation in the FT-SE Actuation in State Sectionary of the United Mingdom and Republic of Indicate Indicates the FT-SE Actuation SIO and FT-SE Actuatio

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Figures in backets show mamber of companies. Basis US Dallars. Basis Values: 1000.00 31/12/02.

Predecteor Gold Mines Index: Oct 17: 279.3 ; day's change: -0.7 points; Your ope: 212.3 † Portiol, Latest prices were uransializite for this occition.

Underlying occarity price. Premiums shown are based on closing offer prices.
 October 17, Total contractor 22,596 Celler 12,963 Purs 10,236

APPOINTMENTS ADVERTISING

23,946 24,943 27,853 1519.7 1692.7 28,972 31,334

SEAC bargains Equity turnover (Cm)† Equity bargains† Shares traded (mi)†

appears in the UK edition every Wednesday & Thursday. and in the International edition every Friday For further information please call:

Oct 17 Oct 14 Oct 13 Oct 12 Oct 11 Vr ego

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Gareth Jones on +4471 873 3779 Andrew Skarzyoski ôn +44 71 873 4054

CHEMICALS BANKS 0.459 2.544 1.898 4.200 2.452 117.2 117.2 117.2 119.8 2.200 24.521 119.8 14.251 5.240 119.8 14.251 5.240 119.8 14.251 5.240 119.8 14.251 5.240 119.8 1 

LONDON SHARE SERVICE

ELECTRONIC & ELECTRICAL EQPT

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## **CURRENCIES AND MONEY**

## MARKETS REPORT

## German elections push dollar to two year low

exchanges as Chancellor Kohl's victory in the German

elections lent support to the D-Mark, writes Philip Gawith. The dollar's weakness prompted talk of central bank intervention to support the currency.

Analysts said the re-election of Mr Kohl had removed the last prop of support for the dollar. Market concerns that the US Federal Reserve is losing the battle against inflation are also contributing to dollar

It finished yesterday in London at DM1.5036, from DM1.5201 on Friday. Earlier it had touched a low of DM1.4970 in Asian trading, below the previous 1994 low of DM1.5160. Yesterday evening it fell below DM1.50 again in New York trading. Against the yen, it finished in London at Y97.85, from Y98.285.

The D-Mark's performance was mixed. It finished firmer against the French franc, at

The dollar yesterday fell to a FFr3.434, from FFr3.428, but downward break out of its two year low on the foreign was weaker against the Bel-recent trading range meant "a gian franc, at BFr20.58, from BFr20.61.

The Finnish vote in favour of EU membership lent support to the markka, which traded at FM3.078 to the D-Mark from Friday's close of FM3.0910.

Sterling was also weaker against the D-Mark, finishing at DM2.4168 from DM2.4207. It was firmer against the dollar, closing at \$1.6074 from \$1.5925.

■ Despite the bearishness surrounding the dollar, trading volumes were not large. Analysts said customers were confused; many had seen DM1.51/ 52 as a potential buying opportunity, but were now put off by the bearish technical outlook. Mr Brian Marber, technical analyst, said that the dollar's

1,8105 1,8105 1,6297 1,6093 1,5994 -- Prev. close --1.5950 1.5943 1.5938 1.5834 Oct 17

recent trading range meant "a very large fall has become possible. I am expecting an eventual DM1.3910."

\*

Mr David Cocker, analyst at Chemical Bank in London said the absence of any profit taking on the stronger D-Mark was bearish for the dollar. "This suggests the dollar has the potential to go lower still,"

This view was echoed by Mr Joe Prendergast, strategist at Paribas capital markets. He noted: "The response of the markets reflects the fact that the last safety net for dollar bulls in 1994 has been removed."
With the German election

result having been largely discounted by the market, analysts said there had not been any large-scale D-Mark buying. Although the German election result was the catalyst for the latest bout of dollar weak-

ness, it is also the victim of

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data last week meant the Fed would not raise interest rates "But the feeling in the market is that the Fed is already behind the curve," he added.

aging director of international

fixed income research at Mer-rill Lynch in New York, said the market feared that softer

than expected US economic

Abelies the D-Mark (DM per 4)

Declaring a "mini-dollar cri-sis". Mr Rosenberg said there was evidence that the US treasury was setting itself up for intervention to support the currency. "We could be within 24 or 48 hours of a significant co-ordinated effort."

He said the problem was that the market was already expecting intervention, and this reduced the prospect of it succeeding. This, in turn, was a reason not to intervene, because to intervene and to fail was worse than to do nothing.

Mr Rosenberg said that the Fed might be trying to lure the market into believing it would not intervene. This would encourage traders to establish short positions, thus increasing the likelihood of successful intervention, as traders would be forced to cover short positions, adding impetus to the dollar's recovery.

Mr Avinash Persaud, currency strategist at JP Morgan in London, said he doubted whether the Bundesbank would intervene to curb the

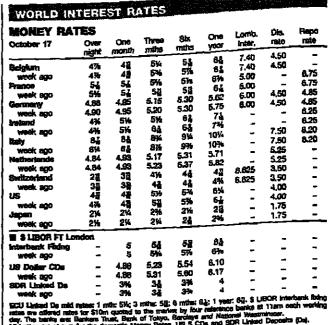
D-Mark's advance. At the moment it was more likely to see the stronger D-Mark as a useful brake on German growth than as something to be resisted.

In addition, Mr Hans Tietmeyer, president of the Bundesbank, has said that there remains scope for lower inter-est rates. These would help curb the D-Mark's rally.

■ The Bank of England provided UK money markets with 5250m of late assistance. Earlier it had provided £677m of assistance at established rates, after forecasting a £1.15bn shortage.

In Germany the election result had no market impact on rates, with call money unchanged at 4.90/95 per cent.

E OTH	ER CURRENCE	
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XIIII	0.4771 - 0.4782	
Poland	35822.1 - 38874.9	22915.0 - 22935.0
Russia	4822.20 - 4830.20	3000.00 - 3005.00
UAE.	5,9002 - 5,9120	3,6715 - 3,6735



EURO CURRENCY INTEREST RATES

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Short term rates are call for the US Dollar and Yen, otherst one days' notices.  II THEREM MONTH PRIOR PUTURES (MATE) Paris Interbank differed rate										
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Mar	93.70	93.75	+0.02	93.77		7,795	22,578			
Jun	93.37	93,40	+0.01	93.42 93.08		2,299	19,748			
Sep	93.01	93.06	+0.01							
E THREE										
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-Jun		93.34	-0.01			0	300 52			
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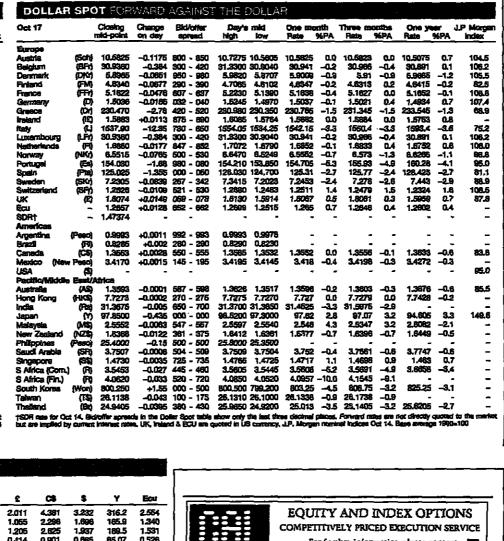
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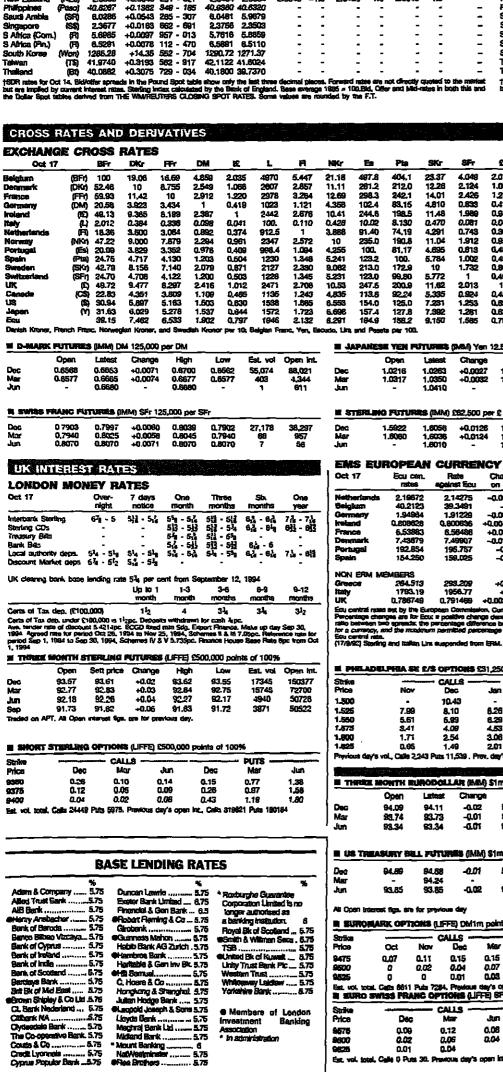
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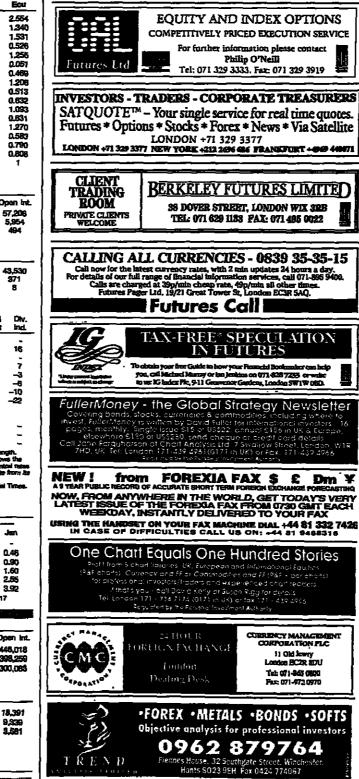
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## market fears about US inflation. Mr Mike Rosenberg, man-POUND SPOT FORWARD AGAINST THE POUND Oct 17 One month Flate %PA -0.03 010 - 186 -0.1522 014 - 485 -0.0181 727 - 828 -0.039 383 - 586 +0.0009 927 - 022 -0.0039 155 - 181 -1.005 282 - 630 +0.0022 113 - 128 +3.18 029 - 380 -0.1522 014 - 085 -0.0322 071 - 085 -0.0323 283 - 055 -0.0282 126 - 311 +0.0012 120 - 146 Europe Austria Belgium Derman Finland France Gemen Greece Ireland Italy Lucemb Netharla Norway Portugal Spain Swetten UK Gu SDR† America Argantini Brazil Caneda (Sch) 17.0098 (BFr) 49.7250 (DKr) 8.4778 (FM) 7.4485 (FFr) 82.975 (DM) 2.4168 (Dr) 370.448 (Dr) 1.0121 (LFr) 49.7250 (FF) 2.7083 (NKr) 10.5308 (Fe) 247.581 (Fe) 247.581 (Fe) 200.989 (SKr) 11.8219 (SFr) 2.0133 17,0841 18,9701 50,3740 48,5920 9,5204 9,4457 7,5090 7,4120 8,3699 8,2676 2,4268 2,4073 375,508 1,0008 0.3 -0.5 0.6 0.4 0.6 -0.6 117.4 117.3 88.6 110.6 127.0 49.745 9.473 49.65 9.4918 8.2981 -0.1 8.2933 2,4156 0.6 2,4124 \$75.508 \$70.103 1.0138 1.0008 1.0118 0.2 2475.63 2484.86 2477.76 ~2.8 50.3740 49.5920 49.745 ~0.5 2.7213 2.7028 2.7071 0.6 10.5803 10.4984 10.53 0.1 250.982 247.190 249.311 ~8.4 201.897 200.410 201.339 ~23 11.6855 11.5892 11.6429 ~2.2 2.0183 2.0073 2.0102 1.8 105.1 74.8 117.4 121.4 86.8 -0.1 -2.9 0.5 1.2 1,0115 2490,35 49,65 2,704 1.0134 2543.70 49.445 2.6753 -3.0 0.6 0.6 -0.1 -7.9 -2.1 -2.3 1.7 10.5335 252,491 202,024 10.5342 86.4 75.9 123.3 79.8 11.6899 2.0046 11.8779 1.9684 1.2700 -0.0011 691 - 708 1,2645 1,2672 1,2698 +0.0168 056 - 067 +0.0155 305 - 329 +0.0246 773 - 794 +0.0532 868 - 979 +0.0149 089 - 078 1,6117 1.5903 1,3337 1,3161 2,1832 2,1540 (Peso) (P3) (CS) (Peso) (S) 86.8 2.1776 0.4 2.1767 2.1784 Mexico USA 5.4410 81.2 2.1916 2.1593 12,4635 12,2983 +0.1143 165 - 243 +0.4579 004 - 367 +0.761 155 - 404 +0.0279 051 - 091 50.5960 49.9340 157.910 156.550 Japan Malaysia New Zealand Philippines Saudi Arabia 158,84 4.1071 2.6309 40.6267 6.0286 2.3677 5.6985 6.5291 1285.28 4.1212 4.0748 2.5404 2.6094 40.6380 40.6320 6.0481 5.9679 2.3756 2.3503 +0.0279 051 - 051 +0.0049 291 - 327 +0.1382 349 - 185 +0.0543 255 - 307 +0.0183 662 - 691 +0.0079 557 - 013 +0.0078 112 - 470 +14.35 552 - 704 +0.3133 552 - 917 5,7616 5,8859 6,5891 6,5110 1290,72 1271,37 South Kores 42,1122 41,6024 +0.3075 729 - 034 offer spreads in the Pound Spot table show only the last th



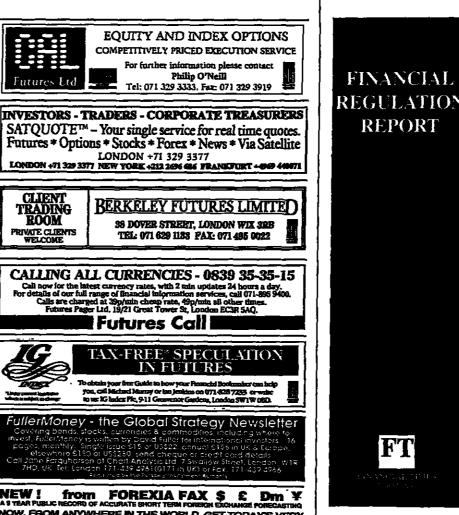






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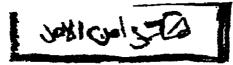
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## Weak dollar and bonds inhibit Dow

## Wall Street

Blue chip stocks posted modest gains vesterday morning, but the wider market languished as fresh weakness in the dollar and bond prices ensured that overall investor sentiment remained subdued, urites Patrick Harverson in New York

By 1 pm. the Dow Jones Industrial Average was up 10.77 at 3.921.24. The more broadly based Standard & Poor's 500 was 0.46 lower at 468.64, while the American Stock Exchange composite was up 0.06 at 458.56 and the Nasdaq composite softened 0.86 to 766.22. Trading volume on the New York SE was 131m shares by 1 pm.

After posting gains of more than 100 points last week, the Dow continued on its unward path yesterday, but the market's advance was not entirely convincing, with secondary indices all lagging well behind the blue chip average.

Analysts said that there was nothing specific to explain the gains in the Dow. The mood of the market, however, has been generally positive in the past week because recent economic and inflation statistics have helped ease fears that the Federal Reserve would put up interest rates again before the end of the month. Prices have also been buoyed by mostly strong third quarter corporate earnings.

The absence of a more broadly-based advance yesterday was blamed on weakness in the dollar - which fell sharply on foreign markets overnight and on a modest decline in bond prices. By early afternoon, the benchmark 30-year bond was down slightly by more than a quarter of a point, and its yield had risen to 7.850 per cent

Among individual issues. General Electric eased \$\% to \$50% and PaineWebber firmed \$1/4 to \$15 on the news that GE was selling its troubled Kidder, that will leave GE with a 25 per cent stake in the securities

Eastman Kodak fell \$% to \$48% in volume of 2m shares amid reports that the company was preparing to embark on another round of cost cuts in expectation of weak secondhalf earnings.

Chemical Waste jumped \$1% to \$9% on the news that the company had signed a definitive merger agreement with WMX Technologies in a deal that put a higher value on Chemical Waste than had been originally outlined in a July pact. The news left WMX shares up \$1/4 at \$291/4.

On the Nasdaq market, California Micro Devices slumped \$5% to \$8% after the company said it was investigating possible accounting irregularities that could affect its financial

Toronto was slightly softer at midday as the market cast around for direction amid a dearth of fresh news. The TSE-300 composite index eased 2.40 to 4,330.02 in volume of 29.7m

Remarks by the federal finance minister Mr Paul Martin reiterating the government's commitment to tackling the country's deficit problem lent some strength to the Cana-

## Mexico

Mexican stocks opened little changed as investors shadowed the mixed movements of Mexican blue chips traded on Wall

The IPC index was off 4.31 at 2,782.00 by mid-morning. Turnover was moderate at 23.4m pesos in volume of 1.97m

Brokers said that they expected equities to make gains during the week in anticipation of a flow of third-quarter results Peabody investment banking before the end of the month.

MARKETS IN PERSPECTIVE								
_	% 0	hange in loca	% change storing †	% change in USS†				
_	1 Week	4 Weeks	1 Year	Start of 1984	Start of 1994	Start of 1994		
Austria	+0.93	-4.71	-3.21	-12.49	-7.37	-0.29		
Belgium	+3.32	-2.46	-1.60	-9.76	-3.24	+4.16		
Denmark	+2.90	-3.08	-1.76	-10.04	-4.75	+2.54		
Finlend	+8.18	+2.67	+31.81	+27.18	+45.52	+56.64		
France	+3.79	-0.56	-6.52	-13.91	-9.36	-2.43		
Germany	+6.75	-1.10	+2.62	-8.70	-3.12	+4.29		
reland	+4.88	-1.86	+13.78	+2.15	+6.20	+14.32		
Italy	+0.22	-5.54	+9.93	+4.05	+6.75	+14,90		
Netherlands	+3.46	+0.20	+6.44	-4.11	+1.61	+9.38		
Norway	+5.93	+3.64	+8.53	+2.44	+7.98	+16.24		
Spain	+3.75	+0.55	-2.91	-8.80	-4.18	+3.14		
Sweden	+6.53	+0.69	+6.80	+4.82	+10.97	+19.4		
Switzerland	+3.36	-0.06	+2.53	-10.57	-2.36	+5.11		
UK	+3.61	+1.02	+0.83	-8.85	-8.85	-1.8		
EUROPE	+3.97	-0.20	+1.27	-8.06	-4.60	+2.70		
Australia	+2.02	-2.88	-1.66	-7.01	-6.37	+0.79		
Hong Kong	+1.72	-5.37	+16.35	-20.75	-26.38	-20.7		
Japan	+0.80	+1.33	-2.54	+9.97	+16.00	+24.80		
Malaysia	+1.51	-4.25	+25.51	-9.52	-11.59	-4.8		
New Zealand	+4.03	-1.45	+3.78	-0.81	-0.09	+7.5		
Singapore	+2.84	+6.50	+15.57	-1.43	-0.22	+7.4		
Canada	+1.06	-1.13	+9.41	+3.42	-5.95	+1.24		
USA	+3.00	-0.38	+0.43	+0.79	-8.36	+0.79		
Meraco	+4.43	-1.58	+42.59	+5.35	-11.00	-4.20		
South Africa	+0.54	-3.63	+45.57	+14,99	+11.92	+20.4		
WORLD INDEX	+2.48	-0.05	+1.01	+0.13	-0.47	-0.4		

Last week's enthusiam for European equities, led by Finland and Germany, stands in stark contrast to an overview from Merrill Lynch which heralds "the coming collapse in market multiples". The US broker's European strategy team believes that price/earnings ratios in major European equity markets could haive as they approach peak earnings. The rise in earnings would make most of the difference in a fall from p/e estimates "in the high teens to high 20s on average", to 10 or less; but Merrill also thinks that markets could trend sideways to down for the next three to five years.

Jointly completed by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Se

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## Dollar weakness hits bourses after Kohl victory

Germany's Conservative/Liberal coalition was seen as a reassurance for the country's financial markets, and it certainly seemed to be good for both the D-Mark and bunds. writes Our Markets Staff.

It had less apparent effect on the Frankfurt equity market, but Mr James Cornish, the NatWest strategist who concentrates on the European political scene, put this in perspective. "It is good for equi-ties, too," he said, "but they were already up by more than 7 per cent last week.

Outside Germany, he added, the Kohl win should be good for countries with a commitment to hard currency; it was probably no coincidence that the usually sedate Danish equity market posted a rise of 1.5 per cent yesterday.

FRANKFURT's professionals went fishing for more buyers in the early morning, with prices marked up and a little buying lifting Dax futures. However, the buyers did not bite and, from an Ibis-indicated high of 2,147,3 in the morning the market slipped rapidly to close the session 14.85 lower at

Turnover rose from DM6.4bn to DM8.5bn and, in the afternoon, the Dax recovered a little to 2,095.58. Unfortunately, what

FT-SE Actuaries Share Indices 11.00 11.80 12.00 13.00 14.00 15.00 Clase Hourly changes FT-SE Eurotrack 100 1356.97 1356.33 1353.08 1351.77 1345.92 1342.47 1343.05 FT-SE Eurotrack 200 1410.00 1409.83 1407.88 1406.03 1401.82 1399.25 1400.73 1400.87 Oct 14 Oct 13 Oct 12 Oct 11 1333.83 1350.17 1351.18 1330.45 1384.60 1412.25 1392.76 Saxa 1000 (25/10/90): Hick/day: 100 - 13/58,20: 200 - 1411,61 Low/Cay: 100 - 1342,16 200 - 1398,61 + Partai

bad for the dollar, and the malaise of the US currency had its impact on exporters: there was weakness in chemicals, carmakers and engineering and metals, with Hoechst down DM5.10 at DM329.50, Daimler by DM15.30 at DM779.70 and Thyssen by DM7.50 at DM290.

However, the losses were not

restricted to cyclicals. Deutsche Bank fell DM12.50 to DM714.50, although it denied a Spiegel report alleging that it had profited from the oil futures fiasco which drove Metallgesellschaft into financial disaster. In utilities, Veba fell DM9.80 to DM526 and Viag by DM9.60 to DM475.

PARIS was pulled down by a number of factors, including a weak currency and some institutional switching of funds from France into Germany following the general election there at the weekend. The resignation of a senior member of

was good for the D-Mark was the Balladur government was not seen as affecting sentiment, brokers said, since the decision by the industry minister to quit on allegations of corruption had been expected. The CAC-40 index settled down 26.60 or 1.4 per cent at

1,906.42 in turnover estimated

at FFr6bn.

Vehicle and component stocks reflected the market's overall weakness, with Peugeot off FFr6 at FFr782, Michelin down FFr3.90 at FFr229.10 and Valeo FFr1.40 lower at FFr280.10. The government said yesterday that institutions subscribing to the partial privatisation of Renault - premarketing begins today - could be expected to pay between FFr163 to FFr178 per

Eurotunnel confirmed forecasts of weak 1994 revenues and the shares lost FFr1.15 or 6 per cent at FFr17.85. ZURICH was lower in thin

9.7 to 2,575.6 in response to the weak dollar and profit-taking

picked up SFr5 to SFr1,290 as the bank continued to buy its own shares ahead of the extraordinary shareholders meeting on November 22 at which shareholders will be asked to approve the bank's planned capital restructuring.

Export-oriented shares fell prey to the weak US currency, Nestlé giving up SFr7 at SFT1.197. by bonds as the weak dollar

408.44, having seen a day's high of 411.60. Unilever, up 30 cents to

after last week's advance.

UBS bearers, however, 1,308.75 21.63 46.32 Roche certificates gave up

SFr65 to SFr5,835 after the group announced that thirdquarter sales fell 4.7 per cent to SFr3.4bn. Ciba registered dipped SFr3 to SFr714, while Sandoz, which is expected to announce nine-month figures next week, fell SFr5 to SFr632.

AMSTERDAM was supported threatened to drag equities lower. The AEX index finished with a modest rise of 0.28 at

Fl 200.30, attracted interest from Merrill Lynch in a review of food industry stocks, the broker noting that the stock had the best performance among European groups in the third quarter. Merrill added

EUROPEAN EQUITIES TURNOVER Monthly total in local currencies (bn) 43.50 215.75 127,41 59,404 49.940 23.90 26,40 1.011.44 1,282,19

The European equities turnover table, which was published on this page last Friday, inadvertently failed to give the September figures, which are shown above.

18,58

that an estimated p/e of 12 many new projects in mind at times 1995 earnings did not seem too demanding, while the company also stood to benefit from its positioning in the

world's emerging economies. MILAN turned back from early highs amid fresh signs of backtracking by some ministers over the budget proposals.
The Mibtel index finished 24 ahead at 10,143, off a high of 10,288, as teething troubles with the new Mib-30 index also acted as a disincentive.

Credito Italiano was a bright spot, climbing L45 or 2.6 per cent as it launched its rights issue to raise L1,500bn and the bank's president said he had

a time when the Italian banking system was about to regroup.

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Olivetti was L60 or 3.1 per cent lower at L1.890, although dealers said there was no news to account for the fall.

TEL AVIV bracketed the Israeli/Jordan peace treaty with two gains of 2.4 per cent. On Sunday, it liked Friday's Israeli September price index and the Mishtanim index put on 4.46 at 188.07; yesterday it added a further 4.52 at 192.59.

Written and edited by William Cochrane, John Pitt and Michael

KUALA LUMPUR gave up

early gains to close lower as

the market's consolidation and

lack of foreign demand kept a

## Nikkei softens as yen climbs against US currency

## Tokyo

Investors remained sidelined as the yen rose to the Y97 level against the dollar and the Nikkei 225 average lost ground on small-lot arbitrage selling. writes Emiko Terazono in

The index closed 11.00 off at 19,958.29 after a day's high of 20,055.41 and low of 19,907.68. Arbitrage buying supported shares in the morning, pushing the index above 20,000, but unwinding of long positions later depressed the index.

Volume came to 200m shares, against Friday's 397m. The Topix index of all first section stocks slipped 6.62 to 1,586.46 and the Nikkei 300 shed 1.38 to 289.89. Losers led gainers by 508 to 451, with 195 issues unchanged. In London the ISE/Nikkei 50 index eased 0.08 to 1.300.35.

The dollar fell below Y98 for the first time since September 26, depressing investor confidence. While traders said the currency movements failed to prompt heavy selling, senti-ment remained subdued. The US currency was later supported by intervention from the Bank of Japan.

Electricals were lower, with NEC down Y30 to Y1,230 and Sony losing Y20 at Y5,950. Foreign selling depressed Sega Enterprises, the video game maker, with the shares falling Y300 to Y5,030 Some investors took profits

on steels and chemicals which were higher last week on buy-

ing by overseas investors. Mitsubishi Chemical and Kawa-saki Steel dipped Y3 apiece to Y580 and Y445 respectively. However, Nippon Steel moved up Y1 to Y389 and Ube Indus-

Sumitomo Metal Mining, the most active issue of the day, advanced Y16 to Y995 as speculation that a leading US hedge fund was purchasing gold prompted individual and dealer buying.

tries Y6 to Y430.

Japan Telecom declined Y10,000 to Y3.89m and East Japan Railway receded Y1,000 to Y483.000, but Nippon Telegraph and Telephone rose for the fifth consecutive day, by Y7.000 to Y893.000.

Textiles gained ground, with Toho Rayon adding Y13 at Y460 and Mitsubishi Rayon Y5 at Y458.

In Osaka, the OSE average eased 38.78 to 22,309.84 in volume of 17.6m shares. Nippon Short fell by its daily limit of Y100 to Y896. Investors sold the issue after the Securities and Exchange Surveillance Commission, the securities industry watchdog, filed a charge with the Osaka district prosecutors office last week for alleged insider trading by 32 of the company's employees

## Roundup

Mixed performances were seen in the Pacific Basin region. SEOUL continued its forward momentum in brisk trade, the composite index ending at a record closing high of 1,109.87, up 13.39 or 1.2 per cent.

## S Africa extends gains

1433.80 1820.29 136.67 172.24 45.69 58.01 128.57 163.23 246.05 312.38 202.52 257.11 90.10 114.39 145.95 185.29 104.88 132.89 127.47 161.83

138.67 179.01 136.82 137.56 150.43 123.35 210.54 139.12 141.98 142.18 151.77

8480.18 2047.08 1
169.35 218.19
63.43 77.59
185.62 211.74
266.10 394.76
287.36 321.83
138.56 155.79
232.96 234.57
132.09 176.58
189.22 214.96
190.89 196.04

152.45 178.58 208.67 227.80 112.65 176.86 128.63 175.14 187.01 192.73 131.02 158.12 233.99 296.21 132.38 176.65 148.61 178.59 149.45 180.03

178.91

178.24 167.11 112.57 142.92 150.47 180.80 158.85 169.35

Johannesburg extended gains in slow trade as the market derived support from stronger world markets and improved gold price prospects. However, dealers said that low trading volumes indicated a lack of real interest and that the medium term direction remained cloudy.

Currencies continued to play their part, with a firmer financial rand undermining some price rises early in the day. The overall index collected 28 at 5,655, industrials rose 49 to 6,404 and golds picked up

De Beers added 10 cents at R101.60, Anglos rose R1 to R238.25 and Minorco hardened 25 cents to R107. Iscor put on cents at R4.78 and Hiveld climbed a strong R1.50 to R32. SAB firmed R1 to R85.75 and

Remgro picked up 75 cents to R27. Sappi registered a fresh high for the year as it appreciated R3 to R66 on continued positive reaction to its acquisi-tion of a 70 per cent stake in

Brokers commented that a number of positive factors were influencing investors at present, including prospects for high economic growth and good company earnings.

TAIPEI was also firmer, led by rises in the food sector, but the weighted index finished off the day's high, up 35.77 or 0.5 per cent at 6,731.23. The session's peak was 6,778.34. Turnover totalled T\$79.06bn. In the food sector, President

Enterprises went the day's limit up to T\$56 on hopes that the company would make a T\$5.5bn to T\$6.2bn profit by selling its stake in affiliate President Chain Store. MANILA was supported by

property issues and the composite index added 1.7 per cent at 3,050.14. Some brokers observed that investors seemed to be targeting large manufacturing companies such as Petron and San Miguel. Turnover amounted to 2bn pesos.

SYDNEY was firmer, although bond weakness dampened sentiment. The All Ordinaries index was finally up 8.2 at 2,014.2 after touching 2,024.4. Among the day's leading performers. BHP advanced 24 cents to A\$20 and News Corporation moved ahead 13 cents to

HONG KONG finished just off the day's lows in reaction to a weak dollar and continuing concern over the health of China's leader Deng Xiaoning.

The Hang Seng index retreated 94.99 to 9.455.94.

The H-share index of Chinese stocks listed in Hong Kong fell by 3.2 per cent, on the back of a drop in Shanghai A shares. SHANGHAI'S A share index

fell 50.54 or 7.5 per cent to 627.55 after a local Communist party newspaper voiced sharp criticism of the media for irresponsible reporting on the market, brokers said.

Brokers added that the index also fell on fears of a flood of so-called "legal person" shares, prompted by an exchange announcement that Zibo Investment Fund would list a portion of its institutionally owned units on November 4. They will be the first institu-

tional securities on the market.

companies are owned by insti-

Most shares in Chinese listed

lid on prices. The composite index eased 2.33 to 1,126.12 in volume of

307.07m shares. Hong Leong Bank made a

striking debut, closing at M\$8.75 to give the stock a M\$5.45 premium. Amalgamated Industrial, the steel products maker, hit the 30 per cent limit-up in the

sion in the afternoon trade. BOMBAY was lower on sustained selling pressure which left the BSE 30-share index 21.00 down at 4.365.43.

morning at M\$5.70 before the

company asked for a suspen-

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